

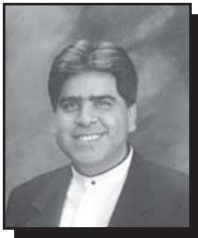
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BOARD OF DIRECTORS



Mr. K.S. Bhatnagar, Chairman



Mr. R.R. Jain, Vice Chairman & Managing Director



Maj. Gen. A. Balasubramaniam (Retd.), Director



Mr. S.K. Jain, Director

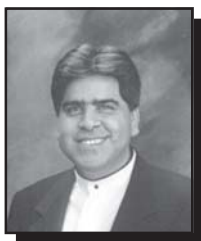


Mr. S Khasnobis, Nominee Director (ICICI)



Mrs. S. Jain, Director

MANAGEMENT TEAM



Mr. R.R. Jain
CEO



Dr. Shurjo Ghosh
COO



Ms. Diana Adachi
VP Marketing



Mr. Kunal Sen
VP Finance & Company Secretary



Mr. Bibek Shankar Das
VP Corporate



Mr. Rakesh Srivastava
General Manager,
Business Development



Mr. Debasis Bandyopadhyay
Associate Vice-President,
Execution



Mr. Aniruddha De Choudhury
General Manager,
Corporate Communications



Mr. Aniruddha Rai Chaudhuri
General Manager,
Quality & Benchmarking



Mr. Prasun Maharatna
Manager,
HR & Sourcing (US)



Ms. Indrani Banerjee
Senior Manager, HR



Mr. Ghanshyam Binani
General Manager,
Finance

NOTICE TO MEMBERS

The Nineteenth Annual General Meeting of R S Software (India) Limited will be held on Friday, 10th August 2007 at 3.30 pm at Sisir Mitra Hall, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata - 700 091 to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as on 31.03.2007 and Profit & Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mrs. Sarita Jain who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Mr. K S Bhatnagar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if though fit, to pass the following resolution as an Ordinary Resolution.

"Resolved that pursuant to the provision of Sec 224 and other appropriate provision, if any, of the Companies Act 1956, Messrs Chaturvedi & Company to retire at the conclusion of the Meeting be and are hereby re-appointed Auditors of the company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company".

SPECIAL BUSINESS

5. To consider and, if thought fit to pass, with or without modifications the following Special Resolution :

"RESOLVED THAT based on the facts and circumstances of the situation as laid before the Board trading of Company's Shares at the three Stock Exchanges at Delhi, Ahmedabad and Calcutta be closed subject to Shareholders' approval."
6. To consider and, if thought fit to pass, with or without modifications the following Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 [including any statutory modification(s) or re-enactment thereof] and subject to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions as may be prescribed or imposed while granting such approvals and which may be agreed to or accepted by the Board of Directors (hereinafter referred to as "the Board" which expression shall include a committee thereof) at its sole discretion, the consent of the Company be and is hereby accorded to the Board to grant 21,00,000 stock options.

 - 1) to the eligible Employees of the Company working in India or out of India;
 - 2) to the Directors of the Company, in India or outside India whether whole time director or otherwise excluding Promoters;

- 3) to the eligible Employees of its Subsidiaries in India or out of India; through "Employee Stock Option Scheme" (ESOS), which entitles the Option holders to subscribe to 21,00,000 Equity Shares of the Company."

"Further Resolved that the Company's aforesaid ESOS Scheme shall conform to the Accounting Policy as specified in Clause 13.1 of SEBI (ESOS & ESPS) Guidelines, 1999, as amended."

"Further Resolved that the Company's aforesaid ESOS Scheme shall also be applicable to the employees of the subsidiary companies in India or outside India and the Directors of the Company whether whole - time or otherwise."

7. To consider and, if thought fit to pass, with or without modifications the following Special Resolution :

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies act, 1956, relevant guidelines of the Securities Exchange Board of India, listing agreement entered into with the stock exchanges and any other applicable laws/rules/regulations and subject to the consent/approval of any other authorities/institutions, consent of the company be and is hereby accorded to the Board of Directors to create, offer and allot up to 7,00,000 Equity warrants on a preferential basis to the Promoters/ Promoter Group(s) (hereinafter referred to as "Warrants") with each warrant convertible into one equity share of the company of nominal value of Rs.10/- each at a price of Rs. 66/- which includes a premium of Rs. 56/- per share calculated in accordance with SEBI guidelines for preferential allotment of equity shares/warrants and on such terms and conditions as may be decided and deemed appropriate by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall be deemed to include any duly authorized committee thereof) at the time of issue allotment"

"RESOLVED FURTHER THAT the 'relevant date' in relation to the issue of warrants in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 would be, 10th July 2007, being the date 30 days prior to the date of passing of this resolution".

"RESOLVED FURTHER THAT the issue of warrants, if any, as above, shall be subject to the following terms and conditions :

1. The Warrants shall be convertible (at the option of the warrant holders) at any time within a period of 18 months from the date of allotment of warrants.
2. Each warrants shall be convertible into one equity share of nominal value of Rs. 10/- each at a price of Rs. 66/-, which includes a premium of Rs. 56/- per share, calculated in accordance with SEBI guidelines for preferential allotment of shares.
3. The Warrant Holder(s) shall, on the date of allotment, pay an amount equivalent to 10% of the total consideration per warrant.
4. The Warrant Holder(s) shall, on the date of conversion, pay the balance 90% of the consideration towards the subscription to each equity share.
5. The amount referred in (3) above shall be forfeited, if the option to acquire shares is not exercised within a period of 18 months from the date of allotment of warrants.

6. The number of warrants and the price per warrant shall be appropriately adjusted, subject to the Companies Act, 1956 and SEBI guidelines, for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring.
7. The lock in of shares acquired by exercise of warrants shall be for a period of three years reduced to the extent of holding period of the Warrants."

Registered Office
234/3A, A.J.C. Bose Road
Kolkata - 700 020

By Order of the Board
For R S Software (India) Limited

3rd May 2007 / 12th July 2007

Kunal Sen
VP - Finance & Company Secretary

NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and vote instead of himself. A Proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the registered office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Transfer Books of the Company will remain closed from 3rd August 2007 to 10th August 2007 (both days inclusive).
3. Members/Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
4. Members desirous of any information on the Accounts at the Meeting are requested to send their queries at least 10 days before the Meeting.
5. PLEASE BRING YOUR COPY OF THE ANNUAL REPORT AT THE MEETING.
6. **Conveyance facility would be available from our Corporate Office on the date of the AGM for reaching the venue and back. Those interested in availing the same may kindly register their names with their names and folio nos. to the desk of the Corporate Office at least 72 hours prior to the Meeting.**

EXPLANATORY STATEMENT TO THE ITEM OF SPECIAL BUSINESS SET OUT IN THE ANNEXED NOTICE**Item 5**

When the Company went into the first IPO in March 1994 it was listed with Calcutta, Mumbai, Delhi and Ahmedabad. Thereafter six months later the Company as per the SEBI requirements got also listed with National Stock Exchange (NSE), Mumbai. For the last three years as per the report received from Delhi, Ahmedabad and Calcutta Stock Exchanges there have been no transactions reported. Moreover as per the concept prevailing now trading is done through the Stock Exchanges, which has the highest number of trading terminal in India, and those are either BSE or NSE.

We have been paying Annual Membership fee of Rs.7,500/- to each of the two Stock Exchanges - Delhi & Ahmedabad and Rs.10,000/- to Calcutta Stock Exchange and these will increase further after our expanded capital base post Rights Issue. Fees for Delhi & Ahmedabad Stock Exchanges would be around Rs.10,000/- each and Calcutta Stock Exchange Rs.17,500/-. Apart from the fees whenever we need any approvals we have to apply to all the Stock Exchanges and as no trading is taking place for the last three years in Delhi, Ahmedabad and Calcutta Exchanges and there are also considerable delays in getting response which add to administrative hassles. We therefore propose that our Share trading of R S Software (India) Ltd. at Delhi, Ahmedabad and Calcutta Stock Exchanges be closed down with the work restricted to the remaining two - BSE & NSE.

This matter was earlier taken up at the Board Meeting held on 10th Feb.'06 but it was later felt that since the Company's Rights Issue was in process it would not be expedient to discontinue this at that stage. Since the Rights Issue is now over, this matter is being taken up afresh and after the Board's approval it would be put before the forthcoming Annual General Meeting for Shareholders' approval as per the Statutory requirements.

Item 6

The last ESOS Scheme was approved by the Shareholders in August 2004. That Scheme was valid for 3 years effective 1st April 2004 and lapsed on 31st March 2007. The said Scheme had a total ceiling of 500,000 Options of which 416,600 Options were used within those 3 years. We have to therefore introduce a new Scheme, which would be effective from 1st April 2007 for a further period of 3 years. The Compensation Committee would decide on the vesting and the exercise period for Employees, which includes Directors. The ESOS Scheme has always been useful in rewarding and attracting talents and the Company therefore wants to extend the Scheme for another 3 years.

The Board of Directors recommend the approval by the shareholders of the existing employee stock option scheme for a period of three years starting with 1st April. 2007 to the eligible Employees of the Company as well as to the eligible employees of it's Subsidiaries.

None of the Directors of the Company is concerned or interested in the Resolution.

Information regarding ESOS for Explanatory of Notice to Members

The information for ESOS as per SEBI (ESOS & ESOS) Guidelines, 1999, as amended are as follows:

- (a) The total number of options to be granted: 21,00,000
- (b) Identification of classes of employees entitled to participate in the ESOS :
 - Permanent employees of the Company and of its holding and/or subsidiary company (ies), whether working in India or out of India; and
 - Directors, whether whole time director or not, of the Company, and of its holding and/or subsidiary company (ies), whether working in India or out of India.

- (c) Requirements of vesting and period of vesting: The Employee Stock Options granted under ESOP 2007 shall vest in a minimum period of 1 year and a maximum of 5 years from the date of grant of the option. The exact proportion in which the options would vest shall be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.
- (d) Maximum period within which the options shall be vested: 5 years
- (e) Exercise price or pricing formula: The Exercise Price shall be the price payable by the employee for exercising the Options granted to him under the ESOP 2007 as may be decided by the Compensation Committee from time to time, such price being not less than the then existing face value of the share of the Company.
- (f) Exercise period and process of exercise: The exercise period would commence from the date of vesting and will expire on completion of not more than five (5) years from such date of vesting of options as may be decided by the Compensation Committee from time to time.

The vested options will be exercisable by the Employee by a written application to the Company to exercise the options on full payment of Exercise Price and in such manner and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period. Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company, or in such other manner as the Compensation Committee may decide.

- (g) The appraisal process for determining the eligibility of employees to the ESOS: The appraisal process for determining the eligibility of the Employee will be specified by the Compensation Committee and will be based on criteria such as performance record, role & criticality of the employee, future contribution potential of the employee and/or such other criteria as may be determined by the Compensation Committee at its sole discretion.
- (h) Maximum number of options to be issued per employee and in aggregate: The maximum number of options that may be granted to any specific Employee under the ESOP 2007 shall not exceed 2,10,000
- (i) A statement to the effect that the company shall conform to the accounting policies specified in clause 13.1: The Company shall conform to the Accounting Policies specified in Clause 13.1 of SEBI (ESOS & ESOS) Guidelines, 1999 as amended.
- (ii) The method, which the company shall use to value its options whether, fair value or intrinsic value: Intrinsic Value considering the market price of share.
- (k) The following statement;

'In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.'
- (l) The price of the shares and also the number of shares to be offered to each employee: To be decided by the Compensation Committee
- (m) Total number of shares to be issued: N.A.

Item 7

As per Section 81 (1A) of the Companies Act, 1956, approval of Shareholders in the General Meeting is required for allotment of warrants on preferential basis and hence the resolution is placed before the shareholders.

The Directors recommended the resolution for your approval.

Mr. Rajnit Rai Jain, Vice Chairman & Managing Director may be deemed to be concerned or interested in the resolution.

The required disclosure as per 13.1A of SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time, are furnished as under :

1. Objects of the Issue through Preferential Offer

The Objects of the issue of warrants on preferential basis is to augment the long term resources of the Company and for the repayment of the high cost debt from the Financial Institutions and to part finance the expansion plans to match the revenue growth.

2. Intention of Promoters / Directors / Key Management Persons to subscribe to the Offer :

The person who intend to subscribe to the warrants proposed to be issued :

Sl.No.	Name of the Proposed Allottee	No. of Warrants to be subscribed
1.	Rajnit Rai Jain	7,00,000
	TOTAL	7,00,000

3. Shareholding pattern before and after the Offer :

The Shareholding pattern before and after completion of the proposed preferential issue would be as under :

Shareholding Pattern					
		Pre -Issue		Post-Issue	
Sl. No.	Category	No. of Shares	% of Capital	No. of Shares	% of Capital
A	Promoters Holding				
1	Indian Promoters	1463965	19.69	2163965	26.60
	Foreign Promoters	-	-	-	-
2	Persons Acting in Concert	-	-	-	-
	Sub-Total	1463965	19.69	2163965	26.60
B	Non Promoter Holding				
3	Institutional Investors				
a.	Mutual Funds & UTI	12000	0.16	12000	0.15

b.	Banks, FIs, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	3200	0.04	3200	0.04
c.	FIs	1800	0.02	1800	0.02
	Sub-Total	17000	0.23	17000	0.21
4	Others				
a.	Private Corporate Bodies	1348636	18.14	1348636	16.58
b.	Indian Public	4501798	60.55	4501798	55.34
c.	NRIs / OCBs	86911	1.17	86911	1.07
d.	Any Other (Clearing Members)	16338	0.22	16338	0.20
	Sub-Total	5953683	80.08	5953683	73.19
	Grand Total	7434648	100.00	8134648	100.00

Note :-

- i. The above Shareholding pattern has been prepared on the basis of Shareholdings as on June 30, 2007.
- ii. The post-issue Shareholding pattern has been arrived on the assumption that the entire 7,00,000 warrants proposed to be issued to Promoter / Promoter Group(s) would be converted into equity shares.

4. Proposed time within which the allotment shall be completed

The allotment of Shares on preferential basis shall be completed within a period of 15 days from the date of Shareholders' approval provided that where the allotment on preferential basis is pending on account of pendency of any approval by any Statutory Authority as per SEBI Guidelines, the allotment shall be completed within 15 days from the date of such approval.

5. The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them:

The percentage of the post-preferential issue capital held by the proposed allottee assuming full conversion of warrants into fully paid equity shares is as under :

Sl. No.	Name of Proposed Allottee	No. of warrants to be allotted	% in the post-issue capital (including pre-issue holding)
1.	Rajnit Rai Jain	7,00,000	24.81
	TOTAL	7,00,000	24.81

6. The aforementioned allotment shall be subject to lock-in provisions contained in clause 13.3.1. of SEBI (DIP) Guidelines, for the time being in force.

7. Change in the Control or Composition of the Board

There will neither be any change in the composition of the Board nor any change in the control of the Company on account of the proposed preferential allotment. However, there will be corresponding changes in the shareholding pattern as well as voting rights consequent to preferential allotment.

8. No. of Warrants and Issue price

It is proposed to issue, offer and allot up to 7,00,000 Equity warrants on a preferential basis to the Promoters/Promoter Group(s) with each warrant convertible into one equity share of the Company of nominal value of Rs.10/- each at a price of Rs.66/- which includes a premium of Rs.56/- per share, which is in accordance with the SEBI (DIP) Guidelines 2000 and for the purpose of the above guidelines the relevant date is 10th July 2007. The subscriber(s) to warrant shall, on the date of allotment, pay an amount equivalent to 10% of the total consideration per warrant and pay the balance 90% of the consideration towards the subscription to each equity share on the date of conversion.

9. The party to the proposed allotment is the Promoter and Vice Chairman & Managing Director of the Company.**10. Auditors Certificate**

M/s. Chaturvedi & Co., Statutory Auditors of the Company have certified that the preferential issue is being made in accordance with the requirements contained in SEBI Guidelines for preferential issues. A copy of the certificate would be placed before the Shareholders at the AGM.

Registered Office
234/3A, A.J.C. Bose Road
Kolkata - 700 020

By Order of the Board
For R S Software (India) Limited

3rd May 2007 / 12th July 2007

Kunal Sen
VP - Finance & Company Secretary

DIRECTOR'S REPORT 2006-07



Mr. K.S. Bhatnagar, Chairman

Dear Member,

Yours Directors present their Nineteenth Annual Report and Audited Statement of Accounts highlighting the business operations and financial results of your Company for the year ended 31st March 2007.

Financial Highlights

	<i>(Rs. In Million)</i>	
	2006-07	2005-06
Gross Revenue	1007.85	914.18
Operating Profit (PBDIT)	149.59	171.18
Interest	65.07	67.50
Depreciation	34.27	52.93
Profit Before Tax	50.25	50.75
Provision for Tax / Deferred Tax	(1.76)	(8.55)
Profit After Tax	48.49	59.30

Review of Financial Performance

Your Company continues to make progress in achieving domain focus and accordingly has made significant investments during the year in Knowledge acquisition through consulting services to help reach its goal of becoming one of the global leaders in providing solutions to the Electronics Payments Industry. It has also taken on lease new premises and converted it into a world class Software Center with state-of-the-art facilities to improve performance and attract and retain the best of talent. Our Management is confident that both these investments would enable RS to achieve leadership position in becoming a domain-focused Organization that would help contribute to growth of offshore outsourcing globally. The Company's revenues have grown by around 10% as compared to the previous fiscal year, and after absorbing all these investments, the Company has arranged to earn some Net Profits. The Company also successfully completed its Rights Issue, which was subscribed 1.07 times.

The Payments Industry Going Forward

It is heartening to note that the Electronic Payments Industry, the niche that your Company is focused on, is experiencing double digit growth in virtually all the payments instruments used worldwide. Newer and more innovative offerings are being launched by the Industry to stay ahead in the race for increasing our customers' share. Smaller Processors, in their bid to lower dependency on larger Acquirers, are demanding greater functionalities in the applications that define their business domain. Larger Acquirers and Payment Networks are influenced by these changes to create partnerships with trusted outsourcers for Application Management services.

Gearing up for growth

Your Company is targeting significantly higher growth rates in the next phase of its growth. This year, RS has not only added eight new clients and sold its first products in the Merchant Boarding and Residual Management domains, but has also made an entry into providing solutions for the Card Issuing segment, as well. Most significantly, we have signed a long-term contract with our largest client. Our goal is to transition the Company from being a commodity offshore services provider to a niche player in the Electronic Payments space; a low priced off-shore developer to a higher value payments domain provider. Establish presence in Canada. Establish a more formalized professional sales organization.

To help strengthen our Sales and Marketing set-up further, we have brought in four new key personnel who bring with them considerable seasoning and vast operational experience in the Electronic Payment Industry ranging between 20 to 25 years with large business contacts in the related areas. They are Mr. Larry Daniels, Mr. Joe Saunders and Ms. Cheryl Wheeler.

Earlier in the year, we had recruited Ms. Diana Adachi as VP Marketing, and with her help we now have in place a clearly articulated marketing plan for exploiting the opportunities in the emerging payments space. Diana has over twenty years experience, selling solutions to Fortune 1000 Companies such as IBM, Intel, Bell Canada, and Bank of Montreal.

Execution Environment

Side by side with strengthening of the Sales Mechanism, your Company has also taken major steps towards sharpening the execution environment needed for fulfilling fresh business opportunities. RS now has a 60,000 sq ft, technologically advanced workspace at Salt Lake in Kolkata that houses the Company's offshore facilities. In the last one year, the Company has restructured the execution organization, inducted a Chief Operating Officer with proven industry experience, and upgraded most of the existing processes to facilitate the transition towards becoming a business focused organization. Recognizing that the Company needed the finest talent to deliver customer expectations that have been greatly boosted by our recent participation in the ETA Trade Show in Las Vegas(USA), your Company has also engaged a well-known PR Agency to help enhance the Company's employer brand in the market.

With more and more IT majors setting up or expanding operations in Kolkata, Companies irrespective of scale are putting in place innovative policies and people practices to both attract and retain talent. Your Company has taken a major initiative to attract, acquire and retain talent for meeting its growth strategy. The Company's intranet system has been revamped to facilitate real-time communication of important news and events concerning the organization. The HR Process is focused on aligning goals of the individual with that of the organization. Your Company's Sourcing Team is being strengthened significantly to match the growth in the Sales and Marketing Process, and to address the developing shortage of talent that is ready to be deployed. The Training Process is being constantly geared up to align RSites to meet customer expectations, and to help behavioral imperatives of the organizational Change Management Program. To this end, a new series of programs titled In-house Strategic Transformation & Empowerment Programs (In-STEP) was conceived and administered to all

our Managers. The Quality and Benchmarking Process permeates the entire functioning of the Organization, with the goal of bringing continuous improvement in all areas of business. These and several other key initiatives have made your Company more focused and confident of reaping the benefits of the fast growing opportunities in the Electronic Payments Industry in the near future.

Fixed Deposits

The Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act 1958.

Directors

Mr. K S Bhatnagar & Mrs. Sarita Jain retires by rotation and being eligible offer themselves for re-appointment Your Directors recommend their appointment for a further tenure, as this would be entirely in the larger business interest of your Company. A brief profile of each of the Directors is given below :

Mr. K S Bhatnagar a Former Secretary, Govt. of India, Department of Company Affairs & Chairman, Company Law Board, has been on the Board of many noteworthy Companies and has acted as the Chairman in many of them. Mr. Bhatnagar is M.A. (Eco.), M.Com., LLB, had a stint in Marketing Management with Harvard Business School (USA) and is a Fellow of Company Secretaries. He has extensive seasoning and background in the fields of Finance, Business, Accounts, Audit, Marketing and Corporate Laws. He is the Chairman of your Company for more than 12 years.

Mrs. Sarita Jain: MA in English Literature and Diploma in Mass Communication and Home Science and has been a Director with the Company since its inception. Her contribution on all professional matters of the Company has been noteworthy.

Mr. Jonathan Kalman who was appointed as a Director at the EGM held on 23rd December 2005 resigned from the Board with effect from 2nd May 2007.

Corporate Governance and Disclosures

Our Company's philosophy on corporate governance envisions attainment of highest level of transparency, accountability and fairness in respect of its operations and achievement of highest internal standards in corporate governance. The Company believes that all its actions and operations must sub-serve its best business interest and enhance overall Shareholders' value and is walking in that direction assiduously.

Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the Annual accounts for the financial year ended 31st March, 2007 the applicable accounting standards have been followed alongwith appropriate explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the states of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,

- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

Statutory Auditors

M/s. Chaturvedi & Co., Chartered Accountants and Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. Their re-appointment for a further term is recommended by your Board at such remuneration as the Board would fix as per the power given by the General Body. Their present remuneration stands at Rs.1,30,000/-.

Conservation of Energy, Technology Absorption

The particulars as prescribed under sub-section (1)(e) of the Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are given at Annexure 'A' to the report.

Particulars of Employees

Information as per Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of this Report does not apply to our Company because there were no Employees in India employed for the year / part of the year who were in receipt of remuneration which in the aggregate was not more than Rs.24 lacs per annum or Rs.2 lacs per month. As regards Employees of the Company engaged in Information Technology sector like our Company not being Directors or their relatives and drawing salary exceeding the limits mentioned above is exempted from being included in such statement of the Board's Report as per the Government's Notification no.: G.S.R 212(E) dated 24.3.2004.

Acknowledgements

Your Directors; place on record their deep appreciation of the continued assistance and co-operation extended to the Company by its Customers, Investors, Bankers, Government Agencies and its own dedicated band Employees. I would also like to express on behalf of our Board, our deep sense of appreciation of the qualities of leadership shown by Company's devoted functionaries including its Vice Chairman and Managing Director, Raj Jain. Above all, I express my deep sense of gratitude to the Members of the Company who have fully co-operated with and reposed faith in their Board and the Management during the days of stress and strain due to globally depressed market conditions impacting your Company's profitability. But hopefully the matters may improve substantially in the near future for all of us.

Thanking you,

For and on behalf of the Board of Directors

K S BHATNAGAR
CHAIRMAN

KOLKATA
3rd May 2007

ANNEXURE "A" TO DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Details of Conservation of Energy :

The Company uses electric energy for all its equipment such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures

have been taken to conserve energy.

- Through periodic energy audits to identify potential areas for saving.
- By incorporating energy-efficient equipment.
- Through automation i.e., using timers, automatic level controllers etc.

B. Technology Absorption : The details are given below :

(a) Research & Development

1. **Specific area in which R & D work has been done by the Company** : Transaction Switching and switch development, data analytics, merchant management and Merchant boarding framework and Gift and Loyalty framework development
2. **Benefits expected from the R & D** : We plan to market these solutions to acquirers. During this financial year the company has been able to acquire customers using the merchant boarding framework. Going ahead the company plans to actively acquire new customers using the frameworks that have already been developed.
3. **Future plan of action** :
 - POS Application
 - Data Analytics
 - Team size : (15 average)
 - Hardware : Pentium PC, Solaris
 - Software : MSVC++ with MFC,

Java, C++ MS-Windows 2K, XP,
Linux, unix

(b) Technology Absorption , Adaptation and Innovation

1. **Efforts made towards technology, absorption, adaptation and innovation** : Research on Transaction switch, POS devices, merchant boarding, Residual management solutions and Gift and Loyalty solutions have been carried out. Training programs on the above topics have been carried out to the senior resources in the company.
2. **Benefits derived as a result of the above efforts** : During this financial year the company has been able to acquire customers using the merchant boarding framework. Going ahead the company plans to actively acquire new customers using the frameworks that have already been developed.
3. **Information about imported technology** :

C. Foreign Exchange Earnings and Outgo

1. Initiatives like increasing exports, development of new export markets etc. to foreign exchange earnings
2. Foreign Exchange earned : Rs. 971664333.00
3. Foreign Exchange Outgo : Rs. 610703180.00

ANNEXURE "B" TO DIRECTORS' REPORT

Particulars of the ESOS options granted in 2004-05 as per the policy approved by the Members of the Company given below :

- a. Option granted: 165000
- b. The pricing: Rs 15.35 per option.
- c. Options vested: 25% of the total options granted would be vested on completion of each year as per the Scheme.
- d. Options exercised: Total 55350 options
- e. The total number of shares arising as a result of exercise of option: 55350 equity shares.
- f. Options lapsed: 41875 options.
- g. Variation of terms of options: NA
- h. Money realized by exercise of options: Rs.8,49,622.50
- i. Total number of options in force: 69800 options.
- j. Equity Shares allotted under ESOS: 55350 equity shares were allotted to eligible employees on February 19, 2007.

Particulars of the ESOS options granted in 2005-06 as per the policy approved by the Members of the Company given below :

- a. Option granted: 176600
- b. The pricing: Rs 71.00 per option.
- c. Options vested: 25% of the total options granted would be vested on completion of each year as per the Scheme.
- d. Options exercised: Total 2298 options
- e. The total number of shares arising as a result of exercise of option: 2298 equity shares.
- f. Options lapsed: 10970 options.
- g. Variation of terms of options: NA
- h. Money realized by exercise of options: Rs.1,63,158.00
- i. Total number of options in force: 163332 options.
- j. Equity Shares allotted under ESOS: 2298 equity shares were allotted to eligible employees on February 19, 2007.

Particulars of the ESOS options granted to the Directors of the Company in 2006-07 as per the policy approved by the Members of the Company given below :

- a. Option granted: 75000
- b. The pricing: Rs.66.60 per option.
- c. Options vested: 25% of the total options granted would be vested on completion of each year as per the Scheme.
- d. Options exercised: Nil.
- e. The total number of shares arising as a result of exercise of option: Nil.
- f. Options lapsed: Nil.
- g. Variation of terms of options: NA
- h. Money realized by exercise of options: Nil.
- i. Total number of options in force: 75000 options.
- j. Equity Shares allotted under ESOS: Nil.

ANNEXURE - 'C' OF THE DIRECTORS' REPORT

Particulars of the New ESOS of the Company :

(Disclosures under clause 12.1 of SEBI Guidelines)

- (a) Options granted : 21, 00,000 options to the employees of the Company.
- (b) The pricing : Would be decided by the Compensation Committee .
- (c) Options vested : 25% will be vested on completion of one year for the Employees other than Directors and 100% would be vested on completion of one year for the Directors.
- (d) Options exercised : Yet to exercise.
- (e) The total number of shares arising as a result of exercise of option : N.A.
- (f) Options lapsed : NIL
- (g) Variation of terms of options : N.A.
- (h) Money realised by exercise of options : NIL
- (i) Total number of options in force : 21,00,000 Options.
- (j) Employee wise details of options granted to : Would be granted by the Compensation Committee
 - (i) Senior managerial personnel : N. A.
 - (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year : N. A.
 - (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant : Nil
- (k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(IAS)33 : N. A.
- (l) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed : N.A.
- (m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock : N.A.
- (n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information : N. A.
 - (i) Risk-free interest rate,
 - (ii) Expected life,
 - (iii) Expected volatility,
 - (iv) Expected dividends, and
 - (v) The price of the underlying share in market at the time of option grant.

ANNEXURE (D) TO THE DIRECTORS' REPORT

Corporate Governance and Disclosures

While the Companies Act, 1956 provides the basic framework for corporate governance and defines the powers, duties and responsibilities of the Board, the Managing Director and other important functionaries and also emphasizes on "the public interest", aspect of various statutory provisions and prescribes penalties and punishment for the infraction of legal provisions, it was growingly felt that there should be specific ground Rules and comprehensive code for Corporate Governance. Consequently, Birla Committee was constituted which submitted its report on the subject towards the close of 1999. The recommendations of this Committee after their acceptance by SEBI/Government have now been given mandatory effect. These, by and large, set out new benchmarks for adequate, appropriate and timely corporate disclosures on relevant matters consistent with ethical business conduct by the Corporate Management so as to turn out performance which is fair, true and transparent and takes as much care of the interests of the Corporate Management as of its various stakeholders including shareholders, employees, debtors and creditors and is equally responsive to the requirements of various governmental and regulatory agencies.

Our Company's philosophy on corporate governance envisions attainment of highest level of transparency, accountability and fairness in respect of its operations and achievement of highest internal standards in its governance. The Company believes that all this actions and operations must sub serve its best business interest and enhance overall shareholders' value.

A. The Board of Directors

The Board of Directors of the Company consists of seven Directors among them two Promoter Directors of which one is an Executive Director who is the Vice Chairman & Managing Director and one Non-Executive Non-Independent Director, One Non-Executive Nominee Director representing ICICI who is also an Independent Director and 4 Non-Executive Directors, of which 3 are independent. The Chairman is a Former Secretary, Government of India, Department of Company Affairs and Ex-Chairman of Company Law Board, who is among the 4 Non-Executive Directors. During the fiscal 2006-2007 the Board met on 5 occasions as per the statutory requirements.

The table below gives the details of Directors attendance at the Board Meetings and at the last Annual General Meeting and information regarding Directorship, Committee Membership and Chairmanship in other Companies :

Name of the Directors	Attendance Particulars			Number of other Directorship, Committee Membership and Chairmanship		
	Board Meetings	Category	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. K. S. Bhatnagar	5	C	Yes	2	-	-
Mr. R. R. Jain	4	VCMD	Yes	-	-	-
Maj.Gen. A. Balasubramaniam (Retd.)	5	NED	Yes	1	-	-
Mr. S. K. Jain	4	NED	No	3	-	-
Mrs. Sarita Jain	2	NED	Yes	-	-	-
Mr. Jonathan Kalman	2	NED	No	-	-	-
Mr. S. Khasnobis*	4	NED	Yes	1	-	-

C: Chairman, VCMD: Vice Chairman & Managing Director, NED: Non-Executive Director. * Nominee Director - ICICI

Board Meetings held on	May 17, 2006
	August 18, 2006
	November 2, 2006
	December 11, 2006
	February 19, 2007

Code of Conduct

The Company has adopted a Code of Conduct specifically for the members of the Board of Directors and/or members of the Senior Management of the Company, which sets out as follows:

1. Conflict of Interest

- To conduct them ethically and honestly and act in the interests of the Company
- To avoid situations that might lead to a conflict between his personal interests and the interests of the Company.

Although it is difficult to describe all situations, which could create a conflict of interest, the following are some examples :

- Working for a competitor/ supplier/ client while working for a Company. To serve as a Director/ Employee in Top Executive Management of any Company that competes with the Company. One may accept Directorship or Employment of a Company / Supplier or Business Partner only after obtaining approval from the Company's Legal Department.
- Accepting gifts/ receiving discounts from competitors.
- Personally taking a business opportunity that arises due to a Senior Manager's position.
- Receiving a loan or a guarantee of an obligation arising due to his position.

2. Confidential Information

- Each Director & Senior Manager is expected to protect the Company's confidential proprietary business information.
- Each Director & Senior Manager's commitment is evidenced by a confidentiality agreement.
- Being a Director / Senior Member, one is expected to keep certain information confidential which have been discussed in the Senior Management Meetings.
- Re-enforcing the confidentiality agreement as stated in the appointment terms and conditions as well as in the service rule of the Organization.
- Only authorized Company spokespeople may communicate with the press on behalf of the Company

3. Public Disclosures

The Company is committed to all of its public disclosures and reports being full, fair, accurate, timely and understandable.

4. Legal Compliance

The Company recognizes to conduct its business with honesty, integrity and in full compliance with all applicable laws, rules and regulations. All Directors & Senior Managers are required to abide by the statutory requirements.

5. Share Transactions

All Board Members & Senior Managers should report their holding in the Company. There should exist a block period of two weeks (before the quarterly results, etc.) when one cannot trade in the Company's securities.

In accordance with the SEBI Guidelines, one is expected to refrain from "Insider trading" by misusing any unpublished price-sensitive information.

6. Fair Business Practices

Each Director / Senior Manager of the Organization is committed to conduct business fairly without engaging in corrupt practices and unfair competition. Therefore, manipulation, concealment, abuse of privileged information, misrepresentation of facts are not considered as fair business practice.

7. Supporting Loyalty & Respect

Each Director & Senior Manager will abide by and promote Company's environment of mutual trust and loyalty. If any Director / Senior Member breaches this trust, then he/ she will be subject to appropriate corrective action including dismissal or removal from office.

8. Open Communication

Each Senior Manager is encouraged to discuss concerns raised by anyone in the Company, or report any suspected breach to the MD. The Company will not tolerate any form of retaliation for reports or concerns that were made in good faith.

9. Corporate Policy Awareness

All Senior Managers must be aware of all the corporate policies governing the Code of Conduct of employees and the Company's Management System.

10. Company Branding

All Director & Senior Managers are expected to give responsible views about the Company and its performance.

11. Amendment of the Code

The Company recognizes that only the Managing Director of the Company may amend this Code as and when required.

12. Violation of the Code of Conduct

If there is a violation of the above-mentioned Code of Conduct by any of the Senior Managers, depending on the seriousness/ severity of the issue will be taken up by a Committee, headed by the MD of the Company for appropriate action as deemed fit.

B. Audit Committee

The Audit Committee consists of 3 Directors viz. Mr. K.S Bhatnagar (as Chairman), Mr. S. K. Jain a Non Executive Director and Mr. S. Khasnobis, Nominee Director of ICICI. All the Directors are Independent Directors. Mr. Kunal Sen, VP (Finance) & Company Secretary services the said Committee Meetings. The constitution of the Committee, number of meetings held and attendance of the members are given below.

Members	Category	Attendance at Audit Committee Meetings
Mr. K. S. Bhatnagar	C	4
Mr. S. K. Jain	NED	4
Mr. S. Khasnobis	NED	2

The Audit Committee functions as a bridge between the administration of the Company and its Board in all financial and accounting matters including budget. It also interacts between the Board, Statutory Auditors and Internal Auditors. The Committee oversees the Company's financial reporting process and ensures that the financial accounting rules and the information on the subject furnished to the Board or to any other governmental authorities is correct, appropriate and the image of the Company is projected appropriately before its stakeholders. The basic objective of the Audit Committee are to maximize the utilization of Company's financial resources, to promote it's plans and objectives while fulfilling its obligations towards public accountability. It also ensures that the financial reporting, internal control and monitoring mechanism is transparent, adequate and fair. In its review and appraisals, the Audit Committee interacts both with the Statutory Auditors and the top Management on any matter regarding changes in accounting policies, procedures and practices and presentation of the Audit Reports to the Board and the Shareholders. It also ensures that there is due compliance of the accounting philosophy and accounting norms as laid by the Institutes of Chartered Accountant, Company Secretary, Dept of Company Affairs and/or SEBI. The Audit Committee also reviews the Company's financials and risk management policies, complaints of substantial defaults in matter of payments to the creditors, debentures holders and the shareholders.

Audit Committee Meetings held on	May 16, 2006
	August 17, 2006
	November 2, 2006
	February 19, 2007

Statutory Audit Observations

While reviewing the financial records for the year under report, the Audit Committee took note of the following observations of the Statutory Auditors :

1. In regard to the default in repayment of the dues to Allahabad Bank in respect of the Bills Discounted by the Company, which was there in the previous year, the Committee noted that the entire dues of Allahabad Bank has been paid by the Clients and the dues in the books of the Bank has been cleared off.
2. The Company has been regular in payment of Principle & Interest on various long term loans from ICICI Bank Ltd.

C. Shareholders' Committee

Share Servicing Committee comprises of Mr. K.S. Bhatnagar, Chairman and Mr. R R Jain, Vice Chairman & Managing Director. Mr. Kunal Sen, VP-Finance & Company Secretary also services this Committee and he may also be co-opted as a member in case of need. Mr. Kunal Sen is also the Compliance Officer of the Company. Such meetings are held on monthly basis and the Shareholders' complaints and grievances are reviewed in detail by the Committee and prompt and effective directions given to the Registrars for proper disposal. During the year the Company has not received any complaints from the Shareholders/Investors of the Company and no complaints are pending to be resolved. Share transfers are also placed before each Meeting. The Company has processed all share transfer requests received during the year. The constitution of the Committee, number of meetings held and attendance of the members are given below.

Members	Category	Attendance at Shareholders' Servicing and Grievance Committee Meetings
Mr. K. S. Bhatnagar	C	9
Mr. R. R. Jain	VCMD	1

Shareholders' Servicing and Grievances Committee Meetings held on	April 12, 2006
	June 16, 2006
	July 8, 2006
	August 3, 2006
	August 17, 2006
	October 9, 2006
	December 11, 2006
	January 12, 2007
March 8, 2007	

D. Compensation / Remuneration Committee

The Compensation / Remuneration Committee of the Company comprises of the Vice Chairman & Managing Director, Mr. R. R. Jain and two Independent Non-Executive Directors viz. Maj. Gen. A Balasubramanian (Retd) as Chairman and Mr. S. K. Jain.

This Committee recommends and reviews the Compensation packages of the individuals and grant of ESOS options to eligible candidates. The Compensation Policy is directed towards rewarding performance based on

review of achievements on a periodical basis and has the overall approval from the Board of Directors. The constitution of the Committee, number of meetings held and attendance of the members are given below.

Members	Category	Attendance at Compensation / Remuneration Committee Meetings
Mr. R. R. Jain	VCMD	4
Maj.Gen. A Balasubramanian (Rtd.)	NED	4
Mr. S. K. Jain	NED	4

Compensation/ Remuneration Committee Meetings held on	May 16, 2006
	August 17, 2006
	November 2, 2006
	February 19, 2007

Remuneration paid to the Directors

Name of the Director	Basic Salary (Rs.)	House Rent Allowance (Rs.)	Retiral Benefit (Rs.)	Sitting Fees (Rs.)	Total Amount Paid (Rs.)
Mr. R. R. Jain	1800000	900000	236208	-	2936208
Mr. K. S. Bhatnagar	-	-	-	169000	169000
Maj. Gen. A. Balasubramanian (Rtd.)	-	-	-	81000	81000
Mr. S. K. Jain	-	-	-	125500	125500
Mr. S. Khasnobis	-	-	-	60500	60500
Mr. Jonathan Kalman	-	-	-	20500	20500
Mrs. Sarita Jain	-	-	-	20500	20500

E. General Body Meetings

The previous 3 Annual General Meetings (AGMs) were held on Friday, 27th August 2004, on Tuesday, 19th July, 2005 and on Friday, 18th August, 2006. All the aforesaid Meetings were held at Sisir Mitra Hall, West Bengal Electronics Industry Development Corporation Ltd., Webel Bhavan, Block EP & GP, Sector V, Salt Lake, Kolkata - 700 091 at 3.30 pm. The Company had passed 5 special resolutions in the previous 3 Annual General Meetings.

F. Disclosures

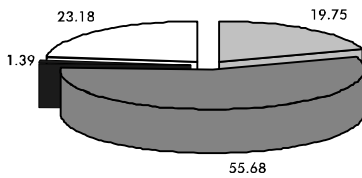
1. There is no materially significant transactions with related parties i.e. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with the Company's interests.
2. There were no instances of non-compliance on any matter related to the capital markets during the last 3 years.

G. Means of Communications

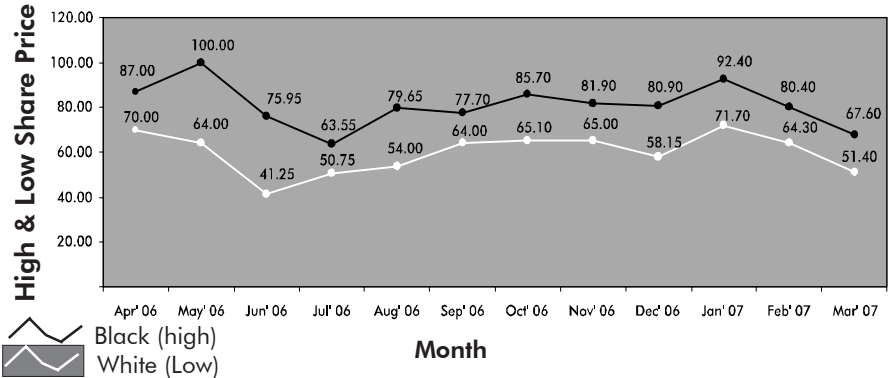
The Company published its audited quarterly results for the year under report in Business Standard (in English - All India editions) and in Pratidin (Vernacular) and also displayed them at the website : www.rsssoftware.com.

GENERAL INFORMATION

Corporate HQ & Registered Office	"FMC FORTUNA", 1st Floor, A-2, 234/3A, AJC Bose Road, Kolkata - 700 020 Phone # 033 - 22876254/6255 / 2281 0106-09 Fax # 033- 22876256 Website: www.rssoftware.com
Date and Venue of Annual General Meeting	At 3.30 pm on August 10, 2007 at Sisir Mitra Hall, West Bengal Electronics Industry Development Corporation Limited, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata - 700 091
Tentative Calendar of Events for the Financial Year 2007 - 08 (April - March)	First Quarter - August 2007 Second Quarter - October 2007 Third Quarter - January 2008 Financial Year - May 2008
Shareholders Services, Enquiries, Complaints	Mr. Kunal Sen , kunalsen@rssoftware.com OR Mr. Sanjay Agarwal , sanjaya@rssoftware.co.in
Registrars & Share Transfer Agent	C.B. Management Services (P) Ltd. P- 22, Bondel Road, Kolkata - 700 019 Phone # 033-22806692 - 94 / 2486 / 2937 Fax # 033-22870263
Book Closure for AGM Listing on Stock Exchanges of	3rd August, 2007 to 10th August, 2007 (both days inclusive) The Calcutta Stock Exchange Association Ltd. , 7, Lyons Range, Kolkata - 700 001. Bombay Stock Exchange Ltd. Phiroze Jee..... Towers, Dalal Street, Mumbai - 40 001. The Delhi Stock Exchange Association Ltd. DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002 Ahmedabad Stock Exchange Ltd. Kamdheni Complex, Opp. Sahajanand College, Panjarapole, Ahmedabad - 380 015. National Stock Exchange of India Ltd. , 'Exchange Plaza', Plot No. C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051. Equity Shares are traded compulsorily in demat mode through : a. National Securities Depository Limited. and b. Central Depository Services (India) Limited Company's ISIN: INE 165B01011 Chaturvedi & Company 60, Bentinc Street , Kolkata.
Trading of Equity Shares	
Auditors :	
Bankers :	ICICI Bank Ltd., ABN Amro Bank N.V. & Allahabad Bank
Attorneys & Solicitors :	Sandersons & Morgans Royal Insurance Buildings, 5, Netaji Subhas Road, Kolkata

**Pattern of Shareholding
as on March 31, 2007**


- Promoters & Directors & Relatives
- Public Shareholding
- Foreign Holding
- FIs/Banks/Mutual Funds/Bodies Corporate & Others

Monthly High & Low Share Price at BSE


AUDITORS' CERTIFICATE

To

The Members of R S Software India Limited

Kolkata

We have examined the compliance of the conditions of Corporate Governance by R S Software India Limited for the year ended 31st March 2007 as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof. Adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Kolkata

3rd May, 2007

For
Chaturvedi & Company
 Chartered Accountants
Nilima Joshi
 (Partner)

AUDITOR'S REPORT

To
The Members of
RS Software India Limited
Kolkata

1. We have audited the attached Balance Sheet of RS Software India Limited as at 31st March 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We draw attention to:
 - (i) Note No. 9 of Schedule 12 to the financial statements in respect of non-confirmation from IDBI regarding treatment of all interim payments during the year as deposits resulting in an overstatement of profit by way of non-provision for interest charged by IDBI amounting to Rs.3, 612,500.
 - (ii) Note No. 13 of Schedule 12 to the financial statements in respect of writing back of interests earlier provided in books, to the extent of Rs.2, 272,385/- prior to any confirmation from the bank as on the date of writing back resulting in an overstatement of profit by an equal amount.
 - (iii) Note No. 11 of Schedule 12 to the financial statements in respect of overstatement of Earning per share resulting on overstatements of profit as referred to in para 4 above.
5. Further to our comments in annexure referred to in para 3, and para 4 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) 14.6% Preference Shares of Rs. 50,000,000 issued to IDBI were due for redemption on May 31, 2004 but the same have not been redeemed as IDBI has agreed to restructuring (refer note no. 9 of Schedule 12);
- (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to clauses referred to in Para 4 above and clause 11a and 11b of Annexure to para 3 above read together with other notes in Schedule 12, particularly with those referred in Para 4 above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

Place: Kolkata
Date: May 03, 2007

For
Chaturvedi & Company
Chartered Accountants
N. Joshi
Partner

ANNEXURE

Refer Auditors' Report of RS Software (India) Limited, referred to in paragraph 3 of our report of even date:

1. (a) The Company has generally maintained proper records of all tangible assets except leased assets showing full particulars including quantitative details except location thereof.
(b) All the assets have been physically verified by the management during the year-end which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) During the year, the Company has not disposed off any substantial part of the fixed assets so as to affect the going concern status of the Company.
2. Spares and consumables are used/charged to revenue in the year in which they are purchased and Company is maintaining proper records of the same. The inventory has been physically verified during the year, procedures of which are reasonable and adequate in relation to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.
3. (a) On the basis of examination of records and according to the information and explanation given to us, we report that the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 except interest free advance in the nature of loan of Rs. 5,839,834 to its US subsidiary.
(b) In our opinion the interest free advance in the nature of loan is prejudicial to the interest of the Company.
(c) There are no fixed terms / period for repayment of above advances and as such the repayment is not regular.
(d) It is not possible to comment whether the company has taken reasonable steps or not to recover the principal amount due.
(e) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
In view of 3 (e) above, the clauses 3 (f) and 3 (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, there is adequate internal system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements to be entered in the registers maintained under Section 301, exceeding five lakhs rupees are reasonable having regard to the prevailing market prices at that time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and as such compliance with the provisions of Sections 58A, 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 does not arise. According to the information and explanation given to us no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in respect of deposits.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, cess and other material statutory dues applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, as at 31st March 2007 for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, there are no dues of sales tax, customs duty / wealth-tax, service tax, excise duty/cess which have not been deposited on account of any dispute except income tax demand of Rs. 5,99,57,776 for the Assessment Year 2000 - 01, pending with the Commissioner of Income Tax (Appeals) and Rs. 12,60,326 for the Assessment Year 2001 - 02 pending with the Commissioner of Income Tax (Appeals).
10. The accumulated losses of the Company is not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. (a) Based on our audit procedures and on the information and explanations given by the Management, we report that the Company had defaulted in repayment of dues to

Allahabad Bank in respect of Bills Discounted by the Company, which became due in December 2000. The Company has cleared its dues during the year in respect of the principal amount and there is no default as on 31st March 2007 except interest and other penal charges of Rs 87,72,385 out of which Rs. 22,72,385 has been written back by the company which is subject to bank's confirmation.

- (b) The principal repayment and interest due on the various long term loans taken by the Company from ICICI Ltd fell due on April 15, 2006, July 15, 2006 and October 15, 2006 which were actually paid on June 23, 2006, September 29, 2006 and November 29, 2006 respectively. Thereafter all payments have been made within the due date.
12. Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund company/nidhi/mutual benefit fund/societies; hence provisions of any special statute are not applicable.
14. In our opinion, the Company is not dealing in, or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors Report), Order 2003 are not applicable to the Company.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion the term loans raised during the year have been applied for the purpose for which they were raised.
17. During the accounting period covered by our report, we report that no fund raised on short term basis have been used for long-term investments.
18. According to the information and explanations given to us, the Company has not made preferential allotment of shares during the year.
19. During the period covered by our audit report, the Company has not issued any debentures.
20. We have verified the end use of the money raised by rights issue as disclosed in Schedule 12 'Notes on Accounts' forming part of the financial statements.
21. Based on information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Kolkata
Date: May 03, 2007

For
Chaturvedi & Company
Chartered Accountants
N. Joshi
Partner

**BALANCE SHEET AS AT MARCH 31, 2007**

	Schedule	Current Year (in Rs.)	Previous Year (in Rs.)
Sources of Funds:			
A Shareholders' Funds			
Share Capital	1	128,794,200	104,215,050
Reserves & Surplus	2	<u>186,566,791</u>	<u>50,808,000</u>
		315,360,991	155,023,050
B Loan Funds			
Secured Loan		169,979,906	273,573,491
Unsecured Loan	3	<u>1,508,500</u>	<u>-</u>
		171,488,406	273,573,491
Total (A+B)		486,849,397	428,596,541
Application of Funds			
A Fixed Assets	4		
Gross Block		656,957,174	523,547,648
Less: Depreciation		<u>460,013,588</u>	<u>425,068,231</u>
Net Block		196,943,586	98,479,417
B Investments			
Investment in shares of Wholly Owned Foreign Subsidiaries	5	500	2,035,315
C Deferred Tax Asset		9,074,337	9,074,337
D Current Assets, Loans and Advances			
Sundry Debtors	6	88,782,761	135,473,183
Cash and Bank Balances	7	47,998,780	11,677,451
Other Current Assets	8	32,948,623	35,433,820
Loans and Advances	9	<u>57,312,568</u>	<u>30,714,691</u>
		227,042,732	213,299,145
Less: Current Liabilities and Provisions	10	69,861,048	60,661,334
Net Current Assets		157,181,684	152,637,811
E Miscellaneous Expenditure		6,869,454	1,099,586
F Profit & Loss Account		116,779,836	165,270,075
Total (A+B+C+D+E+F)		486,849,397	428,596,541

NOTES ON ACCOUNTS

12

The Schedule referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedule	Current Year (in Rs.)	Previous Year (in Rs.)
I Income :			
Income from Computer Software Development			
Export Income		971,664,333	873,145,219
Domestic Income		38,785,108	42,561,945
Income from Computer Software Maintenance and others		—	—
Profit on Foreign Currency Translation		(5,456,811)	(1,956,869)
Other Income & Adjustments (Refer Note 3 of Schedule 12)		2,854,590	427,801
Total		<u>1,007,847,220</u>	<u>914,178,096</u>
II Expenditure :			
Selling & Marketing Expenses		18,283,282	15,077,390
Salary and Other Employee Benefit		652,904,620	605,915,321
Administrative and Other Expenses	11	186,444,709	122,009,094
Miscellaneous Expenses written off		624,405	-
Interest & Finance Charges		65,068,325	67,495,000
Depreciation		34,268,203	52,928,038
Total		<u>957,593,544</u>	<u>863,424,843</u>
III Profit before Tax (I - II) :		50,253,676	50,753,253
Less : Provision for IncomeTax for earlier years		536,047	—
Less: Fringe Benefit Tax		1,227,390	521,056
Add:Deferred Tax asset		—	9,074,337
IV Profit after Tax :		<u>48,490,239</u>	<u>59,306,534</u>
Balance brought forward from last year		(165,270,075)	(224,576,609)
Transferred from General Reserve		—	—
V Balance carried over to Balance Sheet :		<u>(116,779,836)</u>	<u>(165,270,075)</u>

NOTES ON ACCOUNTS

Nominal value per Share	12	10	10
Basic Earning per Share		7.25*	12.06
Basic Earning per Share restated		—	11.68
Diluted Earning per Share		6.35	10.37

Note :

* EPS has come down compared to last year as Dividend at 14.60% on 500,000 Preference Shares was not considered in 2005-2006 and in Diluted Earnings Per Share also 500,000 Preference Shares were not taken into account in 2005-06.

The Schedules referred to above form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our report of even date.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 1	Current Year (in Rs.)	Previous Year (in Rs.)
Share Capital		
Authorised Capital :		
10000000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
2500000 Preference Shares of Rs. 100/- each	250,000,000	250,000,000
	<u>350,000,000</u>	<u>350,000,000</u>
Issued Subscribed and Paid-up :		
7434648 Equity Shares of Rs. 10/- each (Previous Year 4918000)	74,346,480	49,180,000
500000 14.6% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up (Redeemable in May,2004) (Previous Year 500000)	50,000,000	50,000,000
Warrants against Employees Stock Option Scheme	-	495,805
[The company has issued stock option warrants to employees as per scheme approved by the Board of Directors to be converted into Equity Shares of Rs. 10/- each at a premium of Rs. 5.35 per share.		
Employee Stock Option Outstanding	97,720	189,245
The Company has granted the following options: a) 165000 share options in 2004-05 under the Employee Stock Option Scheme @ Rs. 15.35. a) The Closing Market Price Preceding the date of the Board Meeting where the ESOS was approved was Rs. 16.76. 55350 Options have already been exercised and further 12050 options have lapsed during the year. b) 176,600 shares options in 2005-06 under the Employee stock option scheme at the closing of the Market Price of Rs 71/- preceding the date of the Board Meeting where ESOS was approved. 2298 options have been exercised and converted into equity shares during the year.		
Preferential Allotment of Equity Warrants	4,350,000	4,350,000
(The Company has received 10% Application Money on the 500,000 Warrants for Preferential Allotment to be Converted into Equity Shares against each Warrant. The Nominal Value is Rs. 10/- and the price at which allotted is Rs 87/- inclusive of a premium amount of Rs. 77/-. Warrants are convertible at any time within a period of 18 months from the date of allotment 6th January, 2006.		
	<u>128,794,200</u>	<u>104,215,050</u>

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 2	Current Year (in Rs.)	Previous Year (in Rs.)
Share Premium Account	173,066,791	37,308,000
Preference Share Redemption Reserve	13,500,000	13,500,000
	<u>186,566,791</u>	<u>50,808,000</u>
SCHEDULE - 3		
Secured Loan		
Loans and Advances from Banks and Financial Institutions		
ICICI Limited		
Term Loan *	32,694,463	53,621,493
Corporate Loan *	69,980,371	114,773,596
* (Secured by a first mortgage and charge on all the Company's immovable property at Salt Lake City and movable property, both present and future, book debts and by personal guarantee of and equity shares of the company held by two Directors)		
Bank Overdraft with ICICI Bank **	59,805,072	79,803,838
**(Secured by first charge on all the current assets, second mortgage and charge on all the Company's fixed assets, ranking pari passu with other bankers, exclusive charge on the Corporate Office of the Company and personal guarantee of two Directors)		
Advance against Bills Purchased by Banks (Secured against bills receivable)	—	7,882,625
Interest Accrued and Due	7,500,000	17,491,939
Unsecured Loan		
Short Term Loan from Bank of America	1,508,500	—
	<u>171,488,406</u>	<u>273,573,491</u>

SCHEDULE 4

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening Balance 01.04.2006	Additions	Sales/ Adjustment	Closing Balance	Accumulated Depreciation as at 01.04.06	Depreciation For The Year 2006-07	Sales / Adjustments	Accumulated Depreciation as at 31.03.07	As at 31.3.2007	As at 31.3.2006
LAND	775,994	—	—	775,994	—	—	—	—	775,994	775,994
BUILDING	15,814,206	—	—	15,814,206	2,725,868	257,585	—	2,983,453	12,830,753	13,086,338
LEASE BUILDING EXPENSES	—	8,802,989	—	8,802,989	—	—	677,153	677,153	8,125,836	—
PLANT AND MACHINERY	430,603,599	85,565,329	—	516,168,928	393,989,459	29,219,122	—	423,208,583	92,960,345	36,614,140
OFFICE EQUIPMENT	10,290,891	6,251,673	—	16,542,564	3,275,663	579,742	—	3,855,405	12,687,159	7,015,228
AIR CONDITIONER	11,123,167	428,000	—	11,551,167	3,596,763	536,790	—	4,133,553	7,417,614	7,526,404
ELECTRICAL INSTALLATIONS	12,052,696	10,287,655	—	22,340,351	3,417,141	592,489	—	4,009,630	18,330,721	8,635,555
FURNITURE AND FITTINGS	41,506,965	17,599,655	—	59,106,620	17,222,281	2,596,053	—	19,818,334	39,288,286	24,284,684
MOTOR VEHICLES	880,131	4,508,944	34,719	5,354,356	841,055	486,421	—	1,327,476	4,026,880	39,076
CAPITAL WORK IN PROGRESS	500,000	—	—	500,000	—	—	—	—	500,000	500,000
TOTAL	523,547,649	133,444,244	34,719	656,957,174	425,068,230	34,268,203	677,153	460,013,588	196,943,586	98,479,419
Previous Year	503,076,901	20,470,747	—	523,547,648	372,140,193	52,928,038	—	425,068,231	98,479,417	130,936,708

Note :

- Land includes Leasehold land amounting to Rs. 458,694/-. The lease expires in year 2086.
- Asset has taken on Lease from Orix Auto Infrastructure Services Limited for Rs. 3.26 crores of which Rs. 65.40 lakhs is given as Security Deposit. The lease period is for 48 months and lease rental are being paid every month.
- New Building in Sector V comprising of 60000 sq ft has been taken on lease for a period of 36 months against which the expenses of Rs 88,02,989 has been incurred. These expense have been amortised over the period of lease. The expenses for 2006-07 have been amortised during the year and shown under Gross Block - Additions.

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 5	Current Year (in Rs.)	Previous Year (in Rs.)
Investments		
Traded and Quoted	—	—
Unquoted	—	—
In WOS	—	—
Responsive Solution Inc. (500 no. Equity Share of USD 0.01 each)	16,330,000	16,330,000
RS Software (UK) Limited (1 no. Equity Share of GBP 1 each)	—	67
	<u>16,330,000</u>	<u>16,330,067</u>
Less: Provision of Diminution in value of Investments	<u>16,329,500</u>	<u>14,294,752</u>
	<u>500</u>	<u>2,035,315</u>
SCHEDULE - 6		
Sundry Debtors		
Receivables		
Debts Outstanding for a period exceeding six months	28,925,949	60,193,018
Other Debts	59,856,812	75,280,165
	<u>88,782,761</u>	<u>135,473,183</u>
SCHEDULE - 7		
Cash and Bank Balances		
Cash in hand	57,992	24,005
Cash at Bank with Scheduled & Foreign Banks:		
- In Current Account	44,626,582	11,649,480
- In No Lien Account	3,898	3,966
Fixed Deposits :		
UTI Bank	2,782,161	—
Allhabad Bank	528,147	—
	<u>47,998,780</u>	<u>11,677,451</u>
SCHEDULE - 8		
Other Current Assets		
Prepaid Expenses	13,793,938	18,843,113
Others	19,154,685	16,590,707
	<u>32,948,623</u>	<u>35,433,820</u>

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 9	Current Year (in Rs.)	Previous Year (in Rs.)
Loans and Advances		
(Unsecured and Considered good)		
Loans		
Advances		
(Recoverable in cash or in kind or for value to be received)		
Advances to Staff	4,154,384	2,292,249
Others	15,316,158	5,751,798
Deposits	37,842,026	22,670,644
	<u>57,312,568</u>	<u>30,714,691</u>
 SCHEDULE - 10		
Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors	58,116,520	41,171,740
Advance from Customers	2,023,948	10,290,908
Interest Accrued but not due	2,199,124	4,992,389
Provisions		
Provision for Gratuity	4,158,862	2,886,932
Provision for Leave Encashment	1,078,101	798,309
Provision for Fringe Benefit Taxation	1,748,446	521,056
Provision for Income Tax L164	536,047	—
	<u>69,861,048</u>	<u>60,661,334</u>

SCHEDULE TO PROFIT AND LOSS ACCOUNT MARCH 31, 2007

SCHEDULE - 11	Current Year (in Rs.)	Previous Year (in Rs.)
ADMINISTRATIVE AND OTHER EXPENSES		
Travelling	48,188,504	20,512,872
Conveyance	5,269,141	4,036,375
Staff Welfare	3,536,636	4,799,971
Communication Costs	6,693,347	6,854,797
Telephone	9,793,989	7,058,406
Printing and Stationery	4,780,405	3,229,002
Electricity and Power	6,892,602	7,845,184
Rent - Equipment	1,914,333	2,050,344
Rent - Apartment & Ground	30,761,216	15,216,555
Repairs and Maintenance - Machinery	4,207,636	4,007,665
Repairs and Maintenance - Building	4,638,112	2,762,264
Repairs and Maintenance - Others	140,634	124,727
Education and Training Expenses	679,225	641,314
Insurance	51,875	152,272
Miscellaneous Expenses	4,366,917	1,644,781
Auditors' Remuneration - Audit Fees	408,726	143,260
Tax Audit Fee	50,000	34,653
Internal and Other Audit Expenses	135,000	768,130
Books and Periodicals	350,095	475,398
Directors' Fees	402,000	258,000
Legal / Professional Fee and Taxes	36,527,322	30,421,971
Consultancy Charges	7,536,597	1,338,823
Recruitment & Relocation Expenses	4,149,291	2,953,482
Seminar & Conferences	2,935,858	269,134
Provision for dimunition in value of Investments	2,035,248	4,409,714
	<u>186,444,709</u>	<u>122,009,094</u>

Schedule 12**NOTES ON ACCOUNTS****1. Significant Accounting Policies****a) Convention**

The financial statements have been prepared under the historical cost convention in accordance with the applicable Accounting Standards in India and the provisions of the Indian Companies Act, 1956.

b) Basis of Accounting

The Company follows accrual basis of accounting.

c) Revenue Recognition

Revenue is realised on time-and-material basis and billed to clients as per the terms of specific contracts. Revenue from software development on time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. Revenue from sale of special import licenses is recognized when the licenses are actually sold. The income from software development is inclusive of value added tax.

d) Fixed Assets

Fixed Assets are capitalized at cost inclusive of installation charges, interest & other financial charges on borrowings and other expenses for acquisition of such fixed assets till they are made operational.

e) Depreciation

Depreciation on fixed assets is provided using the straight-line method at the rates prescribed under the Schedule XIV of the Indian Companies Act, 1956. However, Plant & Machinery is being depreciated @ 33.33%. Assets costing less than Rs.5,000/- are depreciated in full in the year of purchase. Depreciation on additions due to realignment of rupee value of foreign currency loan or fixed assets has been charged proportionately on the productive life of the assets. Significant purchased application software that is an integral part of the computer system expected to provide lasting benefits is capitalized and amortized in three years. Expenses incurred on leased premises are amortized over the remaining period of lease.

f) Investments

Current Investments are valued at lower of cost or market value.

Long term Investments are valued at cost. Provision for diminution is made to recognize the decline, other than temporary, in the value of investments, such reduction being determined and made for each investment individually. Changes in carrying amount of investments are charged or credited to the Profit and Loss Account.

g) Miscellaneous Expenditure

Share Issue Expenses are being written off in sixty monthly installments commencing from the date of closing of the Right Issue.

h) Foreign Currency Translation

Foreign Currency transactions are recorded at exchange rate prevailing on the dates of respective transactions. Exchange difference arising on settlement is included in Profit & Loss Account. Revenue items of the Foreign Branch are converted in equivalent Indian Rupees at the buying rate prevailing at

the end of the month where exchange rates do not fluctuate significantly due to practical reasons. Assets and Liabilities of the Foreign Branch are converted in equivalent Indian rupees at the applicable rate prevailing at the end of the year. The effect of exchange rate fluctuation in respect of fixed assets is adjusted with the cost of the respective assets. Investment in subsidiary Company is being valued at carrying cost adjusted by any non-temporary decline in their value according to the requirements of statute.

i) Spares and Consumables

Computer spares, accessories and stationery are charged to revenue in the year they are purchased.

j) Income Tax

The Company computes income tax liability under the "Tax Payable" method after taking credit for allowances and exemptions under section 10B of the Income Tax Act, 1961 for the Export Oriented Unit with the assumption that realization from debtors in convertible foreign exchange shall be received within a period of six months from the end of the previous year or any extended period by competent authority.

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

k) Contingent liabilities

Contingent liabilities are not accounted for but have been disclosed by way of Notes to Accounts.

l) Employee Benefits

Contribution of Employers share to Employees' Provident Fund and ESI are worked on accrual basis and charged to Profit & Loss Account. The Company also provides for gratuity and leave encashment based on actuarial valuation made by an independent actuary.

m) Asset taken on Lease

Lease rentals on operating leases are charged on a monthly basis to Accounts.

n) Impairment of Assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future post-tax cash flows of the relevant cash generating unit or fair value less cost to sell, whichever is higher. The discount rate is applied, based upon the weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business. Any impairment in value is charged to the Income Statement in the year, which it occurs.

2. Contingent Liabilities:

- a) Guarantees outstanding as at 31st March, 2007 is Rs 5,246,300 (Previous year Rs. 2,196,300)
- b) Liabilities in respect of bills discounted by the Company amounts to Rs. 147,803,737 (Previous year Rs. 107,309,370)
- c) The Company has Income Tax demand of Rs. 59,957,776 for the Assessment Year 2000-01, pending with the Income Tax Authorities. These are however being disputed and the matter is under appeal. There is another demand of Rs. 1,260,326/- for the A Y 2001-02, which is also in dispute.

3. Debit in Interest and Finance Charges Account includes Interest including Penal Interest to Banks and Financial Institutions Rs. 62,252,395 (Previous Year Rs. 66,282,114). ICICI Bank has converted part of the Rupee Loan into Foreign Currency Loan during 2005-06. Fees payable for the same has been amortized over the period of repayment of Loan. Interest received - Rs. 136,292 (Previous Year Rs. 117,268).
4. The income tax deducted at source on income during the year Rs. 2,374,915 (Previous Year Rs. 2,489,352).
5. Legal /Professional Fees and Taxes is inclusive of value added tax amounting to Rs. 25,795,942(Previous year Rs. 23,735,145).
6. (a) Prior period expenses incurred during the year Rs. 3,305,561/- (Previous Year NIL)
(b) Capital Commitment remaining to be executed net of advances, amounts to Rs. 1,93,08,800.
7. Related Party Disclosures:

a) Enterprises where control exists :

Wholly Owned Subsidiaries:	Percentage of holding	Country of Incorporation
Responsive Solutions Inc	100%	United States of America

b) Key Management Personnel:

Mr. K S Bhatnagar	-	Chairman
Mr. R R Jain	-	Vice Chairman and Managing Director
Maj. Gen. A Balasubramanian (Rtd)	-	Director
Mr. S K Jain	-	Director
Mr. S Khasnabis	-	Nominee Director - ICICI
Mr. Jonathan Kalman	-	Director
Mrs. S Jain	-	Director

c) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on March 31, 2007.

	Wholly Owned Subsidiary (WOS)	Key Management Personnel
1. Advances given	1,935,190	
2. Expenses on behalf of WOS	2,334,487	
3. Sales	6,200,789	
4. Remuneration to Key Personnel:		
- Directors		402,000
- Managing Director		3,425,979
5. Professional Fee to a Director		6,465,000
6. Balance as on March 31,2007:		
Advances given	5,839,834	
Debtors	8,984,201	
7. Maximum balance outstanding during the year		
Advance given	5,839,834	
Debtors	10,475,460	

8. R S Software UK Ltd. which was a Subsidiary of the Company till previous year was dissolved pursuant to Section 652 A of the Companies Act 1985 of UK and the amount to be received is GBP 284 only.
9. 14.6% Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 50,000,000 issued to IDBI were due to be redeemed on May 31, 2004 but have not been redeemed. The Company had filed a proposal to IDBI for restructuring. IDBI in principle are agreeable for restructuring vide their letter dated April 20,2005 on the following terms and conditions :

- a) Roll over of Rs. 500 lacs of CRPS to be redeemed in three installments in October 2005, November 2007 and November 2008.
- b) Conversion of entire unpaid dividend of Rs. 264 lacs (accrued upto May 2005) along with unpaid interest of Rs. 25 lacs on defaulted dividend totaling Rs. 289 lacs (subject to reconciliation) as Non Convertible Debentures redeemable in two equal yearly installments in November 2007 and November 2008.
- c) Reduction in dividend rate from 14.6% p.a. to 12.5% p.a. on CRPS and at 12.5% on proposed converted portion of NCD (Rs. 201 lacs).
- d) Waiver of entire unpaid overdue liquidated damages of Rs. 32 lacs after Company deposits atleast Rs. 200 lacs in FD/ICD with IDBI.
- e) The Company had written a letter to IDBI regarding modifications in the above terms. The Company had proposed to IDBI that the redemption will take place in the month of November 2008 and all the interim payments should be treated as deposits. IDBI has formally approved the same. The Company has paid 211.47 Lacs, which it has treated as deposits during the year. However IDBI has not confirmed the same.

Due to past losses incurred by the Company no amount has been transferred to Preference Shares Redemption Reserve account till the end of FY 2006-07.

10. Auditor's Remuneration

	Current Year (In Rs.)	Previous Year (In Rs.)
As Statutory Auditors	151,524	143,260
Tax Audit	56,120	56,183
In Other Capacity		
Certification work	38,162	10,354

The above remuneration is inclusive of service tax as applicable

11. EPS has been calculated as per the provisions of AS-20, issued by the Institute of Chartered Accountants of India. The details of calculation are as follows:

	2006-07	2005-06
Numerator for Basic and Diluted EPS:		
Profit for the year	48,490,239	59,306,534
Less: Dividend on Pref Shares	6,250,000	-
	<u>42,240,239</u>	<u>59,306,534</u>
Denominator for Basic EPS :		
Equity Shares	4,918,000	4,918,000
Add : ESOS Conversion	6,476	0
: Rights Issue	747,805	0
: Bonus on Rights Issue	157,376	0
Weighted no. of Equity Shares	5,829,657	4,918,000
Denominator for Diluted Shares :		
Equity Shares	5,829,657	4,918,000
Add: ESOS Conversion	69,800	—
ESOS Dilutive	174,302	800,477
Pref Share allotment	500,000	—
ESOS (2006-07)	75,000	
Weighted no. of Equity Shares	6,648,759	5,718,477

12. Salary and Other employee benefits include

- a) Contribution to Employees' Provident Fund Rs 11,198,131 (Previous Year Rs. 9,098,526) and Subcontracting Charges Rs. 92,145,153(Previous year Rs. 139,389,345)
- b) The salary for the Managing Directors Remuneration include:

	Current Year (in Rs.)	Previous Year (in Rs.)
Salaries	1,800,000	1,800,000
Other Benefits	900,000	20,476
Contribution to Provident Fund	236,208	157,598
Arrears	489,770	-
	<u>3,425,979</u>	<u>1,978,074</u>

- 13.** Subsequent to the letter dated January 03, 2003 issued on the Company by Allahabad Bank under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 calling upon to discharge Rs. 289 Lacs (including interest) on Bill Discounting facility and Guarantees, the Bank has been paid in full by the overseas Client and there are no dues in the books of the Bank in respect of due from Receivables. However there is negotiation going on between the Bank and the Company in respect of overdue interest on demand payments and though there have been correspondences with the Bank resting with the last letter from the Company for settlement at Rs.70 lacs the Company has written back interest of Rs.2,272,385/- in their Books. Bank has not yet confirmed the same.
- 14.** The Company has received 10% Application Money on 500,000 Equity Warrants under Preferential Allotment of equity Shares of Rs. 10/- each at a premium of Rs. 77/- each.
- 15.** Outstanding ESOS Account represent the intrinsic value of Rs. 1.40 each of 69,800 ESOS Warrants granted to employees and yet to be exercised out of 165,000 ESOS actually granted.
Further Rs. 41,914 has been amortized out of deferred Employees Compensation during the year.
- 16.** Deferred Tax Asset has been retained as the Management feels that it would be adjusted in later years. Further no provision for deferred tax expense has been made during the year as the Company is under Tax Holiday Period U/s 10B.
- 17.** As per available information with the company, there were no dues to small-scale industrial undertakings.
- 18.** Additional Information pursuant to provisions of the Para 3 and 4 of Part II Schedule VI for the Companies Act, 1956:-

The Company is engaged in the business of development & maintenance of computer software and other related services. The production and sale of such software services are not capable of being expressed in generic terms.

	Current Year (In Rs.)	Previous Year (In Rs.)
Imports on CIF basis :		
Capital Goods	17,867,673	2,224,008
Expenditure in Foreign Currency:		
Foreign Branch Expenditure	610,703,180	543,979,177
Earning in Foreign Currency	971,664,333	873,145,219

- 19.** During 2006-07 the company received Rs 15.98 crores from Right Issue Proceeds and the end use of this is as follows:

i)	Repayment of Loan and Interest	Rs. 7.65 crores
ii)	Purchase of software	Rs 2.63 crores
iii)	New Building Expenses	Rs. 1.18 crores
iv)	Share Issue Expenses	Rs. 0.89 crores
v)	Balance in Hand	Rs. 3.63 crores

20. Reporting of Segment Wise Revenue, Results and Capital Employed:

Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006
1. Segment Revenue (net sale/income from each segment should be disclosed)		
a. Segment - A (USA)	797,983,831	741,794,805
b. Segment - B (ROW)	209,952,914	172,383,291
Total	1,007,936,745	914,178,096
Less: Inter segment revenue	—	—
Net sales/income from operations	1,007,936,745	914,178,096
2. Segment Results Profit (+) / (loss)(-) before tax and interest from each segment		
a. Segment -A (USA)	206,478,697	213,082,715
b. Segment - B (ROW)	98,788,048	74,421,348
Total	305,266,744	287,504,063
Less:		
i. Interest & Finance Charges	65,006,525	67,495,000
ii. Depreciation	34,236,869	52,928,038
a. Provision for Diminution in value of investments	2,034,748	4,409,714
b. Share Issue Expenses W/off	624,406	—
c. Selling, General & Administrative Expenses	153110520	111,918,058
Total Profit/(Loss) Before Tax	50,253676	50,753,253
3. Capital Employed		
Total Assets	486,849,397	428,596,541
Total Liabilities	486,849,397	428,596,541
(See note below *)		

Note :

*Assets used in the Company's business are not capable of being specifically identified with any of the segments, and it is not practicable to provide segmented disclosures in relation to total assets and liabilities with any reasonable degree of accuracy. Unallocated expenses have not been disclosed in any segment.

21. The previous years figures have been recast/restated, wherever necessary, to the current year's classification.

22. Financial figures have been rounded off to nearest rupee.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

CASH FLOW FOR THE YEAR ENDED MARCH 31ST

CASH FLOW STATEMENT	2007 (in Rs.)	2006 (in Rs.)
A Cash Flow from Operating Activities:		
Net Profit after Tax and Extra ordinary Items	48,490,239	50,753,253
Adjustments for :		
Depreciation	34,268,203	52,928,038
Interest Paid	65,068,325	67,495,000
Provision for Tax	536,047	—
Provision for Diminution in the value of Investments	2,034,815	4,409,714
Profit on sale of assets	(2,297)	—
Interest (Received)	(136,292)	(117,268)
Employees expenses Amortization	49,468	91,382
Miscellaneous Expenditure written off	624,405	—
Operating Profit before Working Capital changes	150,932,913	175,560,119
Adjustments for :		
Trade and other Receivables	22,558,059	(19,253,274)
Trade Payables	8,663,668	(44,169,355)
Cash generated from operations	182,154,640	112,137,490
Interest Paid	(65,068,325)	(38,304,672)
Cash Flow before Extraordinary Items	117,086,315	73,832,818
Net Cash from Operating Activities	117,086,315	73,832,818
B Cash Flow from Investing Activities :		
Purchase of Fixed Assets (net)	(124,636,323)	(20,470,747)
Profit on sale of assets	2,297	—
Building taken on Lease	(8,125,836)	—
Interest received	136,292	117,268
Net Cash from Investing Activities	(132,623,570)	(20,353,479)
C Cash Flow from Financing Activities:		
Proceeds from Share Application	160,337,941	4,845,805
Proceeds from Long term Borrowings	(36,364,830)	(483,946)
Share Issue Expenses	(6,394,273)	(1,099,586)
Repayment of Loan	(65,720,255)	(51,813,872)
Net Cash from Financing Activities	51,858,583	(48,551,601)
Net Increase /Decrease in Cash and Cash Equivalents (A+B+C)	36,321,328	4,927,738
Opening Cash and Cash Equivalents	11,677,451	6,749,713
Closing Cash and Cash Equivalents	47,998,779	11,677,451

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of amendment to Part IV of Schedule VI)

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I	Registration details	
	Registration No.	43,375
	State code	21
	Balance Sheet Date	31-03-2007
II	Capital raised during the year (Amount in Rs. Thousands)	
	Public Issue (Warrants converted into shares)	Nil
	Rights Issue	159835
	Bonus Issue	Nil
	Private Placement	Nil
	ESOS	1013
III	Position of Mobilisation and Deployment of funds (Amount in Rs. Thousand)	
	Total Liabilities	486,849
	Total Assets	486,849
	Sources of Funds	
	Paid up Capital	128,794
	Reserves & Surplus	186,567
	Secured Loans	169,980
	Unsecured Loans	1,508
	Application of Funds	
	Net Fixed Assets	196,944
	Investments	—
	Deferred Tax Assets	9,074
	Net Current Assets	157,182
	Misc. Expenditure	6,869
	Accumulated Losses	116,780
IV	Performance of Company (Amount in Rs. Thousand)	
	Turnover and Other Income	1,007,847
	Total Expenditure	957,593
	Profit/(Loss) before Tax and Extraordinary items	50,254
	Profit/(Loss) after Tax and Extraordinary items	48,490
	Earnings per share in Rs.	7.25
	Dividend %	Nil
V	Generic Names of Two Principal Products/Services of Company (as per monetary terms)	
	Item code No.	N.A.
	Item code No.	N.A.
	Product Description	N.A.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

	Amount (Rs) Responsive Solutions, Inc.	Amount (Rs) TOTAL
1 R S Software (India) Ltd holds the entire paid up Equity Share Capital of wholly Owned Subsidiaries as at 31st March, 2007	500	500
2 Net aggregate amount of the Subsidiary Company's Profit/Loss not dealt with in the Company's accounts		
For the Subsidiary's financial year ended 31st March 2007	(3,911,627)	(3,911,627)
For the Subsidiary's previous financial year since it became a subsidiary.	(4,536,764)	(4,536,764)
3 Net aggregate amount of the Subsidiary Company's Profit less Losses dealt with or provided for in the Company's accounts:		
For the Subsidiary's financial year ended 31st March 2007	Nil	Nil
For the Subsidiary's previous financial year since it became a subsidiary.	Nil	Nil

27th April, 2007
Kolkata

Kunal Sen
Vice President Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman
R R Jain
Vice Chairman &
Managing Director

RESPONSIVE SOLUTION INC.

DIRECTORS' REPORT

The Directors present their report together with the audited accounts for the period ended 31st March, 2007.

The Financial Highlights

	(USD in million)	
	2006-07	2005-06
Gross Revenue before interest and depreciation	0.14	0.10
Operating Profit (PBDIT)	(0.09)	(0.10)
Interest	Nil	Nil
Depreciation	(0.002)	(0.002)
Profit Before Tax	(0.09)	(0.10)
Provision for Tax	Nil	Nil
Profit after Tax	(0.09)	(0.10)

Review of Financial Performance & Dividend

There has been increase in revenue in comparison to previous year but since there is a loss your Directors, sincerely regret that no dividend could be declared for this year.

Directors' Responsibilities

The Directors confirm :

- (i) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year and of the profit & loss of the Company for the year under review.
- (ii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Company.
- (iii) That the Directors have prepared the accounts for the financial year ended 31st March, 2007 on a "going concern" basis.

Acknowledgements

Your Directors place on record their deep appreciation of the continued assistance and co-operation extended to the Company by its customers, investors, bankers, government agencies and its own dedicated employees.

27 April, 2007

On behalf of the Board

R R JAIN

Chairman



RESPONSIVE SOLUTION INC.

AUDITORS' REPORT

April 19, 2007

To the Stockholders and Board of Directors of Responsive Solutions, Inc. :

We have audited the accompanying balance sheets of Responsive Solutions Inc., as of March 31, 2007 and the related statements of Income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Responsive Solutions Inc. as of March, 31, 2007 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Satya Narayan
Certified Public Accountant

RESPONSIVE SOLUTION INC.

RESULT FOR THE WHOLLY OWNED SUBSIDIARY FOR YEAR ENDED 31ST MAR 2007

PROFIT AND LOSS ACCOUNT	YEAR ENDED 31st March, 2007 (in US \$)	YEAR ENDED 31st March, 2006 (in US \$)
Income		
Sales	143,870	104,272
Other Income	2	3
	<u>143,872</u>	<u>104,275</u>
Expenditure		
Payroll	89,735	89,268
Operating Expenses	143,150	115,255
Depreciation	1,744	1,748
	<u>234,629</u>	<u>206,271</u>
Profit before Tax	(90,757)	(101,996)
Provision for Tax	—	—
Profit after Tax	<u>(90,757)</u>	<u>(101,996)</u>

BALANCE SHEET AS AT	YEAR ENDED 31st March, 2007 (in US \$)	YEAR ENDED 31st March, 2006 (in US \$)
SOURCES OF FUNDS		
Shareholder's Fund		
Share Capital	500,000	500,000
Share Premium	0	0
Advances	0	0
TOTAL OF SOURCES	<u>500,000</u>	<u>500,000</u>
APPLICATION OF FUNDS		
Fixed Assets	7,434	9,178
Current Assets Loans and advances		
Sundry Debtors	104,786	104,786
Cash & Bank Balance	3,684	9,187
Other current Assets	2,500	2,500
Loans and advances	180,542	180,542
Less: Current Liabilities	343,945	260,435
Net Current Assets	(52,433)	36,580
Profit & Loss Account (Dr. Balance)	544,999	454,242
TOTAL OF APPLICATION	<u>500,000</u>	<u>500,000</u>

NOTE : Previous year figures have been regrouped and rearranged wherever necessary.

RESPONSIVE SOLUTION INC.
CASH FLOW STATEMENT

	Current Year (In US\$)	Previous Year (In US\$)
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extra Ordinary Items	(90,757)	(101,996)
Adjustments for :		
Depreciation	1,744	1,748
Trade and Other Receivables	—	(20,044)
Net Cash from Operating Activities	(89,013)	(120,292)
B. Cash Flow from Investing Activities		
Advance given to Company	—	—
Net Cash from Investing Activities	—	—
C. Cash Flow from Financing Activities		
Proceeds from Short Term Borrowings	83,510	124,130
Net Cash from Financing Activities	83,510	124,130
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C)	(5,503)	3,838
Opening Cash and Cash Equivalents	9,187	5,349
Closing Cash and Cash Equivalents	3,684	9,187

NOTES TO FINANCIAL STATEMENTS :

Sundry Debtors amount includes the amount outstanding from previous period of (3/31/07). Receivables have been outstanding for more than 2 years and as per discussion with the Management they are proceeding with every option to collect the amount by end of this year. At this stage, we are unable to state that receivables are collectible and the customers are in good standing with respect to financial condition.

Responsive Solutions, Inc. is a 100% wholly owned subsidiary of R S Software (India) Ltd. Parent company bills subsidiary on the jobs undertaken at a transfer price of 90% of the invoice prices billed to the client. Management believes that transfer pricing is based on arms length transactions. Policy for transfer pricing is reviewed annually to reflect current market pricing and other costs associated with India operations.

Current liability includes \$ 208,450 payable to Parent company towards transfer price agreement.

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF R S SOFTWARE INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENT OF RS SOFTWARE INDIA LIMITED AND ITS SUBSIDIARY RESPONSIVE SOLUTIONS INC.

We have examined the attached Consolidated Balance Sheet of R S Software Ltd. and its subsidiary Responsive Solutions, Inc., as at 31st March, 2007, the Consolidated Profit & Loss Account and the Cash Flow Statement for the year then ended.

These financial statements are the responsibility of R S Software India Ltd's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting, framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiary, whose financial statements reflect total *negative* assets of Rs. 19,39,457 as at 31st March, 2007 and total revenues of Rs. 62,00,883 for the for the year then ended. These financial statements have been audited by other auditor whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statement issued by the Institute of Chartered Accountants of India and on the basis of the seperate audited financial statements of RS Software India Ltd., and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statement of RS Software India Ltd., and its aforesaid subsidiary, we are of the opinion that :

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of R S Software India Ltd., and its subsidiary as at 31st March, 2007.
- (b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of RS Software India Ltd. and its subsidiary for the year ended; and
- (c) The Consolidated Cash Flow Statement given a true and fair view of the Cash Flow of R S Software India Ltd., and its subsidiary for the year then ended.

Kolkata
3rd May, 2007

For
Chaturvedi & Company
Chartered Accountants
Nilima Joshi
(Partner)

BALANCE SHEET AS AT MARCH 31, 2007

After consolidating the results of the Company with those of its wholly owned subsidiaries Responsive Solutions, Inc.

	Schedule	Current Year Consolidated (in Rs.)	Previous Year Consolidated (in Rs.)
Sources of Funds :			
A Shareholders' Funds			
Share Capital	1	128,794,200	104,215,050
Reserves & Surplus	2	186,579,462	50,559,620
Capital Reserve		21,549,500	20,204,762
		336,923,162	174,979,432
B Loan Funds	3		
Secured Loan		169,979,906	273,573,491
Unsecured Loan		1,508,500	—
		171,488,406	273,573,491
Total (A+B)		508,411,568	448,552,923
Application of Funds			
A Fixed Assets	4		
Gross Block		658,320,709	524,911,182
Less: Depreciation		461,044,047	426,023,524
Net Block		197,276,662	98,887,658
B Investments			
Investment in shares of Wholly Owned Foreign Subsidiaries	5	-	-
C Deferred Tax Asset		9,074,337	9,074,337
D Current Assets, Loans and Advances			
Sundry Debtors	6	84,314,824	132,624,267
Cash and Bank Balances	7	48,157,557	12,108,067
Other Current Assets	8	33,056,373	35,545,020
Loans and Advances	9	65,093,948	34,670,832
		230,622,702	214,948,186
Less: Current Liabilities and Provisions	10	75,700,878	60,661,334
Net Current Assets		154,921,824	154,286,852
E Miscellaneous Exps		6,869,455	1,099,586
F Profit & Loss Account		140,269,290	185,204,490
Total (A+B+C+D)		508,411,568	448,552,923
NOTES ON ACCOUNTS	12		

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2007

After consolidating the results of the Company with those of its wholly owned subsidiaries Responsive Solutions, Inc.

	Schedule	Current Year Consolidated (in Rs.)	Previous Year Consolidated (in Rs.)
I Income :			
Income from Computer Software Development			
Export Income		977,865,122	877,755,092
Domestic Income		38,785,108	41,126,112
Income from Computer Software Maintenance and others		-	1,435,833
Profit on Foreign Currency Translation		(5,456,811)	(1,956,869)
Other Income & Adjustments (Refer Note 3 of Schedule 12)		2,854,676	428,570
	Total	<u><u>1,014,048,095</u></u>	<u><u>918,788,738</u></u>
II Expenditure :			
Selling & Marketing Expenses		18,283,281	15,077,390
Salary and Other Employee Benefit		656,772,242	609,982,535
Administrative and Other Expenses	11	192,614,474	126,987,998
Miscellaneous Expenses written off		624,405	-
Interest & Finance Charges		65,068,325	67,495,000
Depreciation		34,343,369	53,005,798
	Total	<u><u>967,706,096</u></u>	<u><u>872,548,721</u></u>
III Profit before Tax (I - II) :		46,341,999	46,240,017
Less :Provision for Income Tax for earlier years		536,047	—
Less:Provision for Fringe Benefit Tax		1,227,390	521,056
Add:Deferred tax asset		—	9,074,337
		<u>—</u>	<u>—</u>
IV Profit after Tax :		<u><u>44,578,562</u></u>	<u><u>54,793,298</u></u>
NOTES ON ACCOUNTS	12		
Nominal value per Share		10.00	10.00
Basic Earning per Share		6.57	11.14
Basic Earning per Share restated		—	11.68
Diluted Earning per Share		5.76	9.58

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 1	Current Year (in Rs.)	Previous Year (in Rs.)
Share Capital		
Authorised Capital :		
10000000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
2500000 Preference Shares of Rs. 100/- each	250,000,000	250,000,000
	350,000,000	350,000,000
Issued Subscribed and Paid-up :		
7434648 Equity Shares of Rs. 10/- each (Previous Year 4918000)	74,346,480	49,180,000
16% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up (Redeemable in September, 2000 but not yet redeemed) (Previous Quarter 31000)		
500000 14.6% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up (Redeemable in May, 2004) (Previous Year 500000)	50,000,000	50,000,000
Warrants against Employees Stock Option Scheme	—	495,805
[The company has issued stock option warrants to employees as per scheme approved by the Board of Directors to be converted into Equity Shares of Rs. 10/- each at a premium of Rs. 5.35 per share.		
Employee Stock Option Outstanding	97,720	189,245
The Company has granted the following options: a) 165000 share options in 2004-05 under the Employee Stock Option Scheme @ Rs. 15.35. The Closing Market Price Preceding the date of the Board Meeting where the ESOS was approved was Rs. 16.76. 55350 Options have already been exercised and further 12050 options have lapsed during the year. b) 176,600 shares options in 2005-06 under the Employee stock option scheme at the closing of the Market Price of Rs 71/- preceding the date of the Board Meeting where ESOS was approved. 2298 options have been exercised and converted into equity shares during the year.		
Preferential Allotment of Equity Warrants	4,350,000	4,350,000
(The Company has received 10% Application Money on the 500,000 Warrants for Preferential Allotment to be Converted into Equity Shares against each Warrant. The Nominal Value is Rs. 10/- and the price at which allotted is Rs 87/- inclusive of a premium amount of Rs. 77/-. Warrants are convertible at any time within a period of 18 months from date of allotment of 6th January, 2006.		
	128,794,200	104,215,050

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 2	Current Year (in Rs.)	Previous Year (in Rs.)
Reserves and Surplus		
Securities Premium Account	173,066,791	37,308,000
Preference Share Redemption Reserve	13,500,000	13,500,000
Reserve & Surplus (Subsidiaries)	—	21,893
Foreign Currency Translation Reserve	12,671	(270,273)
	<u>186,579,462</u>	<u>50,559,620</u>
SCHEDULE - 3		
Secured Loan		
Loans and Advances from Banks and Financial Institutions		
ICICI Limited		
Term Loan *	32,694,463	53,621,493
Corporate Loan *	69,980,371	114,773,596
* (Secured by a first mortgage and charge on all the Company's immovable property at Salt Lake City and movable property, both present and future, book debts and by personal guarantee of and equity shares of the company held by two Directors)		
Bank Overdraft with ICICI Bank **	59,805,072	79,803,838
**(Secured by first charge on all the current assets, second mortgage and charge on all the Company's fixed assets, ranking pari passu with other bankers, exclusive charge on the Corporate Office of the Company and personal guarantee of two Directors)		
Advance against Bills Purchased by Banks (Secured against bills receivable)	—	7,882,625
Interest Accrued and Due	7,500,000	17,491,939
Unsecured Loan		
Short Term Loan from Bank of America	1,508,500	—
	<u>171,488,406</u>	<u>273,573,491</u>

SCHEDULE 4

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening Balance 01.04.06	Additions	Sales/ Adjustment	Closing Balance 31.03.07	Accumulated Depreciation as at 01.04.06	Depreciation 2006-07	Sales / Adjustments	Accumulated Depreciation as at 31.03.07	As at 31.3.07	As at 31.3.06
LAND	775,994	—	—	775,994	—	—	—	—	775,994	775,994
BUILDING	15,814,206	—	—	15,814,206	2,725,868	257,585	—	2,983,453	12,830,753	13,088,338
LEASE BUILDING EXPENSES	—	8,802,989	—	8,802,989	—	—	677,153	677,153	8,125,836	—
PLANT AND MACHINERY	430,603,599	85,565,329	—	516,168,928	393,989,459	29,219,122	—	423,208,583	92,960,345	36,614,140
OFFICE EQUIPMENT	10,290,891	6,251,673	—	16,542,564	3,275,663	579,742	—	3,855,405	12,687,159	7,015,228
AIR CONDITIONER	11,123,167	428,000	—	11,551,167	3,596,763	536,790	—	4,133,553	7,417,614	7,526,404
ELECTRICAL INSTALLATIONS	12,052,696	10,287,655	—	22,340,351	3,417,141	592,489	—	4,009,630	18,330,721	8,635,555
FURNITURE AND FITTINGS	41,506,965	17,599,655	—	59,106,620	17,222,281	2,596,053	—	19,818,334	39,288,286	24,284,684
MOTOR VEHICLES	880,131	4,508,944	34,719	5,354,356	841,055	486,421	—	1,327,476	4,026,880	39,076
SUBSIDIARY FIXED ASSETS	1,363,535	—	—	1,363,535	955,293	75,166	—	1,030,459	333,076	408,243
CAPITAL WORK IN PROGRESS	500,000	—	—	500,000	—	—	—	—	500,000	500,000
TOTAL	524,911,182	133,444,244	34,719	658,320,709	426,023,523	34,343,369	677,153	461,044,047	197,276,662	98,887,659
Previous Year	504,440,436	20,470,747	—	524,911,182	373,017,726	53,005,798	—	426,023,524	98,887,658	131,413,344

Note :

1. Land includes Leasehold land amounting to Rs. 458,694/-. The lease expires in year 2086.
2. Asset has been taken on Lease from Orix Auto Infrastructure Services Limited for Rs. 3.26 crores of which Rs. 65.40 lakhs is given as Security Deposit. The lease period is for 48 months and lease rental are being paid every month.
3. New Building in Sector V comprising of 60000 sq ft has been taken on lease for a period of 36 months against which a expense of Rs 88,02,989 has been incurred. These expenses have been amortised over the period of lease. The expense for 2006-07 has been amortised during the year and shown under Additions.

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 6	Current Year (in Rs.)	Previous Year (in Rs.)
Sundry Debtors		
Receivables		
Considered Good & Recoverable		
Debts Outstanding for a period exceeding six months	28,925,949	57,344,103
Other Debts	64,373,075	75,280,164
	<u>93,299,024</u>	<u>132,624,267</u>
Less : Mutual Indebtedness	8,984,200	—
	<u>84,314,824</u>	<u>132,624,267</u>
SCHEDULE - 7		
Cash and Bank Balances		
Cash in hand	57,992	24,005
Cash at Bank with Scheduled & Foreign Banks:		
- In Current Account	44,626,581	11,649,480
- In No Lien Account	162,676	434,582
Fixed Deposits		
UTI Bank	2,782,161	—
Allahabad Bank	528,147	—
	<u>48,157,557</u>	<u>12,108,067</u>
SCHEDULE - 8		
Other Current Assets		
Prepaid Expenses	13,793,937	18,843,113
Others	19,262,436	16,701,907
	<u>33,056,373</u>	<u>35,545,020</u>
SCHEDULE - 9		
Loans and Advances		
(Unsecured and Considered good)		
Loans	—	—
Advances		
(Recoverable in cash or in kind or for value to be received)		
Advances to Staff	4,154,384	2,292,249
Others	23,097,538	9,707,939
Deposits	37,842,026	22,670,644
	<u>65,093,948</u>	<u>34,670,832</u>

	Current Year (in Rs.)	Previous Year (in Rs.)
SCHEDULE - 10		
Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors	72,940,550	41,171,740
Advance from Customers	2,023,948	10,290,908
Interest Accrued but not due	2,199,124	4,992,389
Provisions		
Provision for Gratuity	4,158,862	2,886,932
Provision for Leave Encashment	1,078,101	798,309
Provision for Fringe Benefit Taxation	1,748,446	521,056
Provision for Income Tax	536,047	—
	<u>84,685,078</u>	<u>60,661,334</u>
Less : Mutual Indebtness	8984200	—
	<u>75,700,878</u>	<u>60,661,334</u>

SCHEDULE - 11

	Current Year (in Rs.)	Previous Year (in Rs.)
ADMINISTRATIVE AND OTHER EXPENSES		
TRAVELLING	54,358,269	25,491,776
Conveyance	5,269,141	4,036,375
Staff Welfare	3,536,636	4,799,971
Communication Costs	6,693,347	6,854,797
Telephone	9,793,989	7,058,406
Printing and Stationery	4,780,405	3,229,002
Electricity and Power	6,892,602	7,845,184
Rent - Equipment	1,914,333	2,050,344
Rent - Apartment & Ground	30,761,216	15,216,555
Repairs and Maintenance - Machinery	4,207,636	4,007,665
Repairs and Maintenance - Building	4,638,112	2,762,264
Repairs and Maintenance - Others	140,634	124,727
Education and Training Expenses	679,225	641,314
Insurance	51,875	152,272
Miscellaneous Expenses	4,366,917	1,644,781
Auditors' Remuneration - Audit Fees	408,726	143,260
Tax Audit Fee	50,000	34,653
Internal and Other Audit Expenses	135,000	768,130
Books and Periodicals	350,095	475,398
Directors' Fees	402,000	258,000
Legal / Professional Fee and Taxes	36,527,322	30,421,971
Consultancy Charges	7,536,597	1,338,823
Recruitment & Relocation Expenses	4,149,291	2,953,482
Seminar & Conferences	2,935,858	269,134
Provision for Diminution in the value of Investments	2,035,248	4,409,714
	<u>192,614,474</u>	<u>126,987,998</u>

Schedule 12**NOTES ON ACCOUNTS****1. Significant Accounting Policies****a) Convention**

The financial statements have been prepared under the historical cost convention in accordance with the applicable Accounting Standards in India and the provisions of the Indian Companies Act, 1956.

b) Basis of Accounting

The Company follows accrual basis of accounting.

c) Revenue Recognition

Revenue is realised on time-and-material basis and billed to clients as per the terms of specific contracts. Revenue from software development on time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. Revenue from sale of special import licenses is recognized when the licenses are actually sold. The income from software development is inclusive of value added tax.

d) Fixed Assets

Fixed Assets are capitalized at cost inclusive of installation charges, interest & other financial charges on borrowings and other expenses for acquisition of such fixed assets till they are made operational.

e) Depreciation

Depreciation on fixed assets is provided using the straight-line method at the rates prescribed under the Schedule XIV of the Indian Companies Act, 1956. However, Plant & Machinery is being depreciated @ 33.33%. Assets costing less than Rs.5,000/- are depreciated in full in the year of purchase. Depreciation on additions due to realignment of rupee value of foreign currency loan or fixed assets has been charged proportionately on the productive life of the assets. Significant purchased application software that is an integral part of the computer system expected to provide lasting benefits is capitalized and amortized in three years. Expenses incurred on leased premises are amortized over the remaining period of lease.

f) Investments

Current Investments are valued at lower of cost or market value.

Long term Investments are valued at cost. Provision for diminution is made to recognize the decline, other than temporary, in the value of investments, such reduction being determined and made for each investment individually. Changes in carrying amount of investments are charged or credited to the Profit and Loss Account.

g) Miscellaneous Expenditure

Share Issue Expenses are being written off in sixty monthly installments commencing from the date of closing of the Right Issue.

h) Foreign Currency Translation

Foreign Currency transactions are recorded at exchange rate prevailing on the dates of respective transactions. Exchange difference arising on settlement is included in Profit & Loss Account. Revenue items of the Foreign Branch are converted in equivalent Indian Rupees at the buying rate prevailing at the end of the month where exchange rates do not fluctuate significantly due to practical reasons.

Assets and Liabilities of the Foreign Branch are converted in equivalent Indian rupees at the applicable rate prevailing at the end of the year. The effect of exchange rate fluctuation in respect of fixed assets is adjusted with the cost of the respective assets. Investment in subsidiary Company is being valued at carrying cost adjusted by any non-temporary decline in their value according to the requirements of statute. For the Consolidation of Foreign Subsidiaries the foreign exchange fluctuation has been discounted for in the Foreign Currency Translation Reserve.

i) Spares and Consumables

Computer spares, accessories and stationery are charged to revenue in the year they are purchased.

j) Income Tax

The Company computes income tax liability under the "Tax Payable" method after taking credit for allowances and exemptions under section 10B of the Income Tax Act, 1961 for the Export Oriented Unit with the assumption that realization from debtors in convertible foreign exchange shall be received within a period of six months from the end of the previous year or any extended period by competent authority.

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

k) Contingent liabilities

Contingent liabilities are not accounted for but have been disclosed by way of Notes to Accounts.

l) Employee Benefits

Contribution of Employers share to Employees' Provident Fund and ESI are worked on accrual basis and charged to Profit & Loss Account. The Company also provides for gratuity and leave encashment based on actuarial valuation made by an independent actuary.

m) Asset taken on Lease

Lease rentals on operating leases are charged on a monthly basis to Accounts.

n) Impairment of Assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future post-tax cash flows of the relevant cash generating unit or fair value less cost to sell, whichever is higher. The discount rate is applied, based upon the weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business. Any impairment in value is charged to the Income Statement in the year, which it occurs.

2. Contingent Liabilities:

- a) Guarantees outstanding as at 31st March, 2007 is Rs 5,246,300 (Previous year Rs. 2,196,300)
- b) Liabilities in respect of bills discounted by the Company amounts to Rs. 147,803,737 (Previous year Rs. 107,309,370)
- c) The Company has Income Tax demand of Rs. 59,957,776 for the Assessment Year 2000-01, pending with the Income Tax Authorities. These are however being disputed and the matter is under appeal. There is another demand of Rs. 1,260,326/- for the A Y 2001-02, which is also in dispute.

3. Debit in Interest and Finance Charges Account includes Interest including Penal Interest to Banks and Financial Institutions Rs. 62,252,395 (Previous Year Rs. 66,282,114). ICICI Bank has converted part of the Rupee Loan into Foreign Currency Loan during 2005-06. Fees payable for the same has been amortized over the period of repayment of Loan. Interest received - Rs. 136,292 (Previous Year Rs. 117,268).
4. The income tax deducted at source on income during the year Rs. 2,374,915 (Previous Year Rs. 2,489,352).
5. Legal /Professional Fees and Taxes is inclusive of value added tax amounting to Rs. 25,795,942(Previous year Rs. 23,735,145).
6. a) Prior period expenses incurred during the year Rs. 3,305,561/- (Previous Year NIL)
b) Capital Commitment remaining to be executed net of advances amounts to Rs. 193,08,800.
7. Related Party Disclosures:
- a) Enterprises where control exists :**
- | Wholly Owned Subsidiaries: | Percentage of holding | Country of Incorporation |
|----------------------------|-----------------------|--------------------------|
| Responsive Solutions Inc | 100% | United States of America |
- b) Key Management Personnel:**
- | | | |
|----------------------------------|---|-------------------------------------|
| Mr. K S Bhatnagar | - | Chairman |
| Mr. R R Jain | - | Vice Chairman and Managing Director |
| Maj.Gen.A Balasubramanian (Rtd.) | - | Director |
| Mr. S K Jain | - | Director |
| Mr. S Khasnobis | - | Nominee Director - ICICI |
| Mr. Jonathan Kalman | - | Director |
| Mrs. S Jain | - | Director |
- c) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on March 31, 2007.**
- | | Wholly Owned
Subsidiary (WOS) | Key Management
Personnel |
|-----------------------------------|----------------------------------|-----------------------------|
| 1. Remuneration to Key Personnel: | | |
| - Directors | | 402,000 |
| - Managing Director | | 3,425,979 |
| 2. Professional Fee to a Director | | 6,465,000 |
8. R S Software UK Ltd. which was a Subsidiary of the Company till previous year was dissolved pursuant to Section 652 A of the Companies Act 1985 of UK and the amount to be received is GBP 284 only.
9. 14.6% Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 50,000,000 issued to IDBI were due to be redeemed on May 31, 2004 but have not been redeemed. The Company had filed a proposal to IDBI for restructuring. IDBI in principle are agreeable for restructuring vide their letter dated April 20,2005 on the following terms and conditions:
- a) Roll over of Rs. 500 lacs of CRPS to be redeemed in three installments in October 2005, November 2007 and November 2008.
- b) Conversion of entire unpaid dividend of Rs. 264 lacs (accrued upto May 2005) along with unpaid interest of Rs. 25 lacs on defaulted dividend totaling Rs. 289 lacs (subject to reconciliation) as Non Convertible Debentures redeemable in two equal yearly installments in November 2007 and November 2008.
- c) Reduction in dividend rate from 14.6% p.a. to 12.5% p.a. on CRPS and at 12.5% on proposed converted portion of NCD (Rs. 201 lacs).

- d) Waiver of entire unpaid overdue liquidated damages of Rs. 32 lacs after Company deposits atleast Rs. 200 lacs in FD/ICD with IDBI.
- e) The Company had written a letter to IDBI regarding modifications in the above terms. The Company had proposed to IDBI that the redemption will take place in the month of November 2008 and all the interim payments should be treated as deposits. IDBI has formally approved the same. The Company has paid 211.47 Lacs, which it has treated as deposits during the year. However IDBI has not confirmed the same.

Due to past losses incurred by the Company no amount has been transferred to Preference Shares Redemption Reserve account till the end of FY 2006-07.

10. Auditor's Remuneration

	Current Year (In Rs.)	Previous Year (In Rs.)
As Statutory Auditors	151,524	143,260
Tax Audit	56,120	56,183
In Other Capacity Certification work	38,162	10,354

The above remuneration is inclusive of service tax as applicable

11. EPS has been calculated as per the provisions of AS-20, issued by the Institute of Chartered Accountants of India. The details of calculation are as follows:

	2006-07	2005-06
Numerator for Basic and Diluted EPS :		
Profit for the year	48,490,239	59,306,534
Less: Dividend on Pref Shares	6,250,000	-
	<u>42,240,239</u>	<u>59,306,534</u>
Denominator for Basic EPS:		
Equity Shares	4,918,000	4,918,000
Add : ESOS Conversion	6,476	0
: Rights Issue	747,805	0
: Bonus on Rights Issue	157,376	0
Weighted no. of Equity Shares	5,829,657	4,918,000
Denominator for Diluted Shares		
Equity Shares	5,829,657	4,918,000
Add: ESOS Conversion	69,800	—
ESOS Dilutive	174,302	800,477
Pref Share allotment	500,000	—
ESOS (2006-07)	75,000	—
Weighted no. of Equity Shares	6,648,759	5,718,477

12. Salary and Other employee benefits include

- a) Contribution to Employees' Provident Fund Rs 11,198,131 (Previous Year Rs. 9,098,526) and Subcontracting Charges Rs. 92,145,153 (Previous year Rs. 139,389,345)

- b) The salary for the Managing Directors Remuneration include:

	Current Year (In Rs.)	Previous Year (In Rs.)
Salaries	1,800,000	1,800,000
Other Benefits	900,000	20,476
Contribution to Provident Fund	236,208	157,598
Arrears	489,770	-
	<u>3,425,979</u>	<u>1,978,074</u>

- 13.** Subsequent to the letter dated January 03, 2003 issued on the Company by Allahabad Bank under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 calling upon to discharge Rs. 289 Lacs (including interest) on Bill Discounting facility and Guarantees, the Bank has been paid in full by the overseas Client and there are no dues in the books of the Bank in respect of due from Receivables. However there is negotiation going on between the Bank and the Company in respect of overdue interest on demand payments and though there have been correspondences with the Bank resting with the last letter from the Company for settlement at Rs.70 lacs the Company has written back interest of Rs.2,272,385/- in their Books. Bank has not yet confirmed the same.
- 14.** The Company has received 10% Application Money on 500,000 Equity Warrants under Preferential Allotment of equity Shares of Rs. 10/- each at a premium of Rs. 77/- each.
- 15.** ICICI bank has converted part of the Rupee Loan into Foreign Currency Loan during the Year. Fees payable for the same has been amortized over the period of Repayment of Loan.
- 16.** Outstanding ESOS Account represent the intrinsic value of Rs. 1.40 each of 69,800 ESOS Warrants granted to employees and yet to be exercised out of 165,000 ESOS actually granted.
Further Rs. 41,914 has been amortized out of deferred Employees Compensation during the year.
- 17.** Deferred Tax Asset has been retained as the Management feels that it would be adjusted in later years. Further no provision for deferred tax expense has been made during the year as the Company is under Tax Holiday Period U/s 10B.
- 18.** As per available information with the company, there were no dues to small-scale industrial undertakings.
- 19.** Additional Information pursuant to provisions of the Para 3 and 4 of Part II Schedule VI for the Companies Act, 1956:-

The Company is engaged in the business of development & maintenance of computer software and other related services. The production and sale of such software services are not capable of being expressed in generic terms.

	Current Year (In Rs.)	Previous Year (In Rs.)
Imports on CIF basis :		
Capital Goods	17,867,673	2,224,008
Expenditure in Foreign Currency:		
Foreign Branch Expenditure	610,703,180	543,979,177
Earning in Foreign Currency	971,664,333	873,145,219

20. During 2006-07 the company received Rs 15.98 crores from Right Issue Proceeds and the end use of this is as follows:

i)	Repayment of Loan and Interest	Rs. 7.65 crores
ii)	Purchase of software	Rs 2.63 crores
iii)	New Building Expenses	Rs. 1.18 crores
iv)	Share Issue Expenses	Rs. 0.89 crores
v)	Balance in Hand	Rs. 3.63 crores

21. Reporting of Segment Wise Revenue, Results and Capital Employed:

Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006
1. Segment Revenue (net sale/income from each segment should be disclosed)		
a. Segment - A (USA)	804,095,181	746,404,678
b. Segment - B (ROW)	209,952,914	172,384,060
Total	1,014,048,095	918,788,738
Less: Inter segment revenue	—	—
Net sales/income from operations	1,014,048,095	918,788,738
2. Segment Results Profit (+) / (loss)(-) before tax and interest from each segment		
a. Segment -A (USA)	208,678,420	208,650,637
b. Segment - B (ROW)	98,788,048	74,417,949
Total	307,466,468	283,068,586
Less:		
i. Interest & Finance Charges	65,068,325	66,780,714
ii. Depreciation	34,343,369	53,005,798
a. Provision for Diminution in value of investments	2,034,815	4,409,714
b. Share Issue Expenses W/off	624,405	—
c. Selling, General & Administrative Expenses	159,053,555	112,631,871
Total Profit/(Loss) Before Tax	46,341,999	46,240,489
3. Capital Employed		
Total Assets	508,411,568	448,552,451
Total Liabilities	508,411,568	448,552,451
(See note below *)		

Note :

*Assets used in the Company's business are not capable of being specifically identified with any of the segments, and it is not practicable to provide segmented disclosures in relation to total assets and liabilities with any reasonable degree of accuracy. Unallocated expenses have not been disclosed in any segment.

22. The previous years figures have been recast/restated, wherever necessary, to the current year's classification.

23. Financial figures have been rounded off to nearest rupee.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT	March 31st, 2007 (in Rs.) Consolidated	March 31st, 2006 (in Rs.) Consolidated
Cash Flow from Operating Activities:		
Net Profit before Tax and Extra ordinary Items	45,114,609	46,240,017
Adjustments for :		
Depreciation	34,343,369	53,005,798
Interest Paid	65,068,325	67,495,000
Foreign exchange fluctuation	(12,671)	(24,064)
Provision for Diminution in the value of Investments	2,034,815	4,409,714
Profit on sale of assets	(2,297)	—
Interest (Received)	(136,378)	(118,037)
Employees expenses Amortization	49,468	91,382
Miscellaneous Expenditure written off	624,405	—
Operating Profit before Working Capital changes	147,083,645	171,099,810
Adjustments for :		
Trade and other Receivables	13,573,859	(20,144,851)
Trade Payables	21,247,189	(38,648,053)
Cash generated from operations	181,904,693	112,306,906
Interest Paid	(65,068,325)	(38,304,672)
Cash Flow before Extraordinary Items	<u>116,836,368</u>	<u>74,002,234</u>
Net Cash from Operating Activities (A)	<u>116,836,368</u>	<u>74,002,234</u>
Cash Flow from Investing Activities :		
Purchase of Fixed Assets (net)	(124,636,323)	(20,470,747)
Profit on sale of assets	2,297	
Building taken on Lease	(8,125,836)	
Interest received	136,378	118,037
Net Cash from Investing Activities (B)	<u>(132,623,484)</u>	<u>(20,352,710)</u>
Cash Flow from Financing Activities:		
Proceeds from Share Application	160,337,942	4,845,805
Proceeds from Long term Borrowings	(36,364,830)	(483,946)
Share Issue Expense	(6,394,273)	(1,099,586)
Repayment of Loan	(65,720,255)	(51,813,872)
Net Cash from Financing Activities (C)	<u>51,858,584</u>	<u>(48,551,598)</u>
Net Increase /Decrease in Cash and Cash Equivalents (A+B+C)	36,071,468	5,097,924
Opening Cash and Cash Equivalents	12,086,089	7,010,143
Closing Cash and Cash Equivalents	48,157,557	12,108,067

The Schedules referred to above form are integral part of the Balance Sheet. This is the Balance Sheet referred to in our report on even date.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Kunal Sen
Vice President Finance
& Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

3rd May, 2007
Kolkata

RS SOFTWARE (INDIA) LTD

Registered Office : FMC Fortuna
A-2, 234/3A, A.J.C. Bose Road, Kolkata - 700 020.

Folio No. _____ DP ID _____ Client ID _____

PROXY

I/We _____
of _____ being a Member/Mebers of RS Software (India) Ltd.,
hereby appoint _____ of _____
(of failing him/her _____
of _____) as my / our proxy in my / our absence to attend
and vote for me/us, and on my our behalf, at the Nineteenth ANNUAL GENERAL MEETING of the Company, to be
held at 3.30 PM Friday, 10th August 2007 and at any adjournment thereof.
As witness my / our hand/hands this _____ day of _____ 2007.

Signed by the said

fix Re. 1/- Revenue Stamp

NOTE : The proxy must be deposited at the Registered Office of the Company with the Secretarial Department, FMC Fortuna, A-2, 1st Floor, 234/3A, A J C Bose Road, Kolkata 700 020, not less than 48 hours before the time for holding the meeting.

This attendance slip duly filled in to be handed over at the entrance of the Meeting Hall
R.S. SOFTWARE (INDIA) LTD
Registered Office

FMC Fortuna, A-2, 234/3A, A J C Bose Road, Kolkata 700 020

I hereby record my presence at the ANNUAL GENERAL MEETING at Sisir Mitra Hall, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata 700 091 at 3.30 pm on Friday, 10th August 2007.

Name of the attending Member _____
(in block letters)

Folio No. / DP ID & Client ID _____

Name of Proxy _____

(in block letters, to be filled in if the Proxy attends instead of the Member)

No. of shares held _____

*Member's/Proxy's Signature

*To be signed at the time of handing over this slip.